



Daily Report

East Asia

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Suharto Opens APEC Trade Ministers Meeting

*BK0610131194 Jakarta Radio Republik Indonesia
Network in Indonesian 0700 GMT 6 Oct 94*

[FBIS Translated Text] A meeting of APEC [Asia Pacific Economic Cooperation] trade ministers is being held in Jakarta. The four topics discussed at the meeting include the outcome of the Uruguay Round talks and its impact on APEC members; the concrete and full implementation of the Uruguay Round talks; an exchange of views on global and regional trade liberalization; and the accelerated procedure to provide facilities for trade and investment.

Opening the APEC ministerial meeting at Jakarta's State Palace today, President Suharto called on fellow APEC members to continue their pioneering move by ratifying the establishment of the World Trade Organization [WTO] as early as possible. As such, the WTO will be operational by January 1995. APEC members should also show their willingness to carry out their duties as stipulated by the Uruguay Round talks. Obstacles to trade and investment among APEC members must be identified and gradually reduced.

President Suharto also expressed the hope that APEC trade ministers would be able to reach an agreement on implementing the outcome of the Uruguay Round talks and cooperation program in trade and investment. The APEC ministerial meeting is attended by 19 ministers, high-ranking officials, the APEC executive director and secretary, as well as 212 delegate members.

'Summary' of Draft Joint Statement

*OW0610103794 Tokyo KYODO in English 1015 GMT
6 Oct 94*

[FBIS Transcribed Text] Jakarta, Oct. 6 KYODO—The following is the text summary of the draft joint ministerial statement to be adopted by APEC [Asia-Pacific Economic Cooperation] ministers in charge of trade in Jakarta on Thursday [5 October].

1. APEC ministers in charge of trade or their representatives from member economies participated in a meeting in Jakarta, Indonesia on Oct. 6, 1994.
2. The meeting was chaired by His Excellency Mr. S.B. Yudono, minister for trade of the Republic of Indonesia.
3. The meeting was convened as a follow-up of the decision of the fifth APEC ministerial meeting which was held in Seattle, the United States, in November 1993.
4. Ministers recognized that the conclusion of the Uruguay Round offered an historic opportunity for the world trading system to advance under a strengthened transparent set of rules and procedures and significantly liberalized access to markets. They reaffirmed their collective commitment to the multilateral trading system and the new World Trade Organization.

5. Throughout their discussions, ministers took note of the four priority themes of the forthcoming APEC sixth ministerial meeting in Jakarta on Nov. 11-12, 1994: development of infrastructure between and within APEC economies, human resources development, enhancing the competitiveness of small and medium enterprises, and promotion of business/private sector participation in APEC activities.

6. The meeting was formally opened by His Excellency President Soeharto.

7. Ministers held discussion on topics as follows:

- Review of the Uruguay Round results and their implications for the region
- Effective and full implementation of the Uruguay Round results
- Exchange of views for further regional and global trade liberalization
- Rapid actualization of trade and investment facilitation programmes.

8. Ministers reviewed the Uruguay Round results from different perspectives and agreed that the region will benefit substantially from both the strengthened rules and disciplines and improved market access. In order for APEC members to benefit fully from the results, ministers were mindful that all World Trade Organization members must faithfully act in accordance with both the letter and the spirit of the Uruguay Round results.

9. Ministers observed with satisfaction that their efforts in Seattle had positively contributed towards the successful conclusion of the Uruguay Round. Consistent with the commitment to the multilateral trading system, ministers affirmed their determination to achieve full and on going implementation of the Uruguay Round and to demonstrate leadership by making maximum efforts in each of their economies to ensure the early ratification of the World Trade Organization so that it is operational by 1 January 1995. Ministers expressed their strong support to non-GATT members of APEC to complete the negotiations as soon as possible to enable them to become original members of the WTO.

10. Ministers also agreed that it was important to work together to evolve common understandings of Uruguay Round obligations, provide transparency of Uruguay Round legal provision on implementation, and collectively monitor implementation of the Uruguay Round results.

11. To this end they agreed to take initiatives within the context of APEC's work program beginning in early 1995 aimed at facilitating full and effective implementation of the Uruguay Round outcome.

12. They agreed to identify specific areas where Uruguay Round implementation might present particular challenges or difficulties.

13. Recommendations arising from initiatives and programs related to the Uruguay Round implementation should be reported to the seventh ministerial meeting in 1995.

14. Ministers noted the importance of APEC's contribution to global trade, investment and economic growth, and emphasized the importance of maintaining the momentum of trade liberalization. They agreed that, in the post-Uruguay Round environment, there was ample opportunity to start working toward greater liberalization consistent with the basic principles of GATT/WTO.

15. Ministers also noted the efforts under way in APEC to obtain the views of the EPG [expansion unknown] and the APEC business community, including the Pacific Business Forum, on their post-Uruguay Round priorities.

16. Ministers agreed to advance work aimed at identifying key trade impediments in the region, with such measures identified by type of trade barrier, and by sector.

17. They called for a report to be prepared for APEC ministerial meeting in 1995, including recommendations on where work aimed at addressing impediments should be initiated.

18. Ministers underlined the importance of APEC ameliorating trade tensions and endorse the efforts to promote the APEC trade policy dialogue. In this regard, they agreed that APEC could play a role in discussing and resolving problems in a constructive and amicable manner.

19. Ministers supported further efforts to facilitate trade and investment liberalization in the region.

20. Ministers welcomed the progress made in developing non-binding investment principles, in accordance with the initiatives taken by the informal meeting of APEC leaders in Seattle in 1993.

21. Ministers recognized the crucial importance of the standards and conformance issues for facilitating trade in the region, and noted the encouraging progress made to date.

22. Ministers welcomed the progress made on customs issues and encouraged members to press ahead with projects of relevance to regional business.

23. Ministers welcomed the efforts to bring practical trade information to business and supported the proposals to implement a pilot project for an APEC tariff database in 1995.

24. Ministers also addressed other issues related to APEC's trade and investment work.

25. Ministers instructed their APEC officials and the APEC Secretariat supporting them to implement these decisions.

Minister on GATT Ratification

BK0710081594 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 7 Oct 94

[FBIS Translated Text] Eighteen APEC [Asia Pacific Economic Cooperation] trade ministers have agreed to

implement the Uruguay Round resolution by early 1995, but Japan, the United States, and South Korea only plan to ratify the resolution by the end of this year. Speaking to reporters after attending the APEC ministerial meeting in Jakarta yesterday, Trade Minister Satrio Budiarjo Yudono said the meeting cannot force the three countries to ratify the resolution quickly because these countries have their own system and procedure. However, the delay will have no major impact on the APEC summit meeting in Bogor in November.

Article Analyzes APEC Free Trade Plan

BK0610133994 Singapore BUSINESS TIMES in English 5 Oct 94 p 15

[Article by Yang Razali Kassim, BUSINESS TIMES Regional Analysis Editor]

[FBIS Transcribed Text] A move to transform APEC [Asia-Pacific Economic Cooperation] into a region of free and open trade by 2020 has failed to win the full support of ASEAN economic ministers. But attempts are under way to keep the initiative alive until the APEC leaders' summit in Indonesia next month.

ASEAN's undivided backing is crucial given the collective influence the six-nation grouping wields within the 17-member Asia-Pacific Economic Cooperation (APEC) forum.

But with ASEAN ministers unable to agree on the free trade proposal when they met in Chiang Mai, Thailand, two weeks ago, the decision to adopt or reject the plan now rests firmly with the 17 APEC leaders who will meet for their second summit in Bogor, near Jakarta.

In the meantime, the proposal must first overcome another hurdle—the APEC trade ministers' meeting today and tomorrow in the Indonesian capital, a meeting which will also include the ASEAN members of APEC. If the APEC trade ministers can overcome the resistance from some ASEAN countries, it will be easier for the APEC leaders to carry the free trade idea through.

But a high-level ASEAN source who backs the free trade plan told BT [BUSINESS TIMES] that it is premature to say the trade ministers will easily override ASEAN's reservations. The source said the East Asian economies—another important bloc within APEC—are equally divided on whether to achieve free trade and investment in APEC by a certain deadline.

The free trade proposal comes from the APEC Eminent Persons Group (EPG)—a team of economists, intellectuals, and former officials from the Asia-Pacific economies. The EPG was formed ahead of the first APEC leaders' summit in Seattle last year to help chart a vision for the region.

In Seattle, the EPG's call for an Asia-Pacific "community" was seen as possibly leading to another European Union-type community, prompting the leaders to reject

it. In the second report, which has been submitted to Indonesian President Suharto, the EPG proposes an APEC-wide trade liberalisation plan instead.

The EPG stops short of proposing a free trade area per se, but calls instead for "free and open trade and investment in the Asia-Pacific" to be achieved by 2020 through unilateral tariff cuts by the 17 APEC members, beginning 2000.

Recognising the different stages of economic growth among members—a pet concern of Mr. Suharto, who will host the Bogor summit,—the EPG suggests three different deadlines: 2010 for the developed members such as the United States, Canada, and Australia; 2015 for the newly industrialising economies such as Singapore, Taiwan, and Hong Kong; and 2020 for developing members such as Indonesia, the Philippines, and China.

But they all need to start lowering barriers together in 2000. And to facilitate—as opposed to liberalising—trade and investment, the EPG urges the leaders to adopt in Bogor an APEC Concord on Investment Principles, which should include a dispute settlement mechanism.

The EPG proposal for trade facilitation seems to have gone down without any serious problems so far. But its plan for APEC-wide trade liberalisation has proven controversial in ASEAN, with reactions ranging from outright support to strong opposition.

Malaysian Prime Minister Mahathir Mohamed has reiterated his serious reservations on the pace at which APEC is being pushed along and the time frame for free trade although it is unlikely that he is against free trade per se. Dr. Mahathir has said that APEC should not be institutionalised but remain a loose consultative forum, as originally agreed when APEC was formed. He has at the same time advocated an East Asian forum, the East Asian Economic Caucus (EAEC).

Among the first to signal support for the EPG proposal are the prime ministers of Singapore and Australia. Prime Minister Goh Chok Tong said Singapore, though willing to start earlier, is comfortable with the 2020 date.

Mr. Goh has met Dr. Mahathir, but their positions remain apart. Mr. Goh then met Mr. Suharto in Yogyakarta last week to seek common ground. Although it is still not officially known where Mr. Suharto stands on the EPG plan, the word is that he is inclined towards APEC free trade by 2020 as the EPG proposed.

American officials told BT that Washington has been informed of Mr. Suharto's plan to go for such a deadline. Mr. Goh told the press in Yogyakarta that the time frame will be one of the key issues for the Bogor summit.

At the Chiang Mai meeting of ASEAN economic ministers on Sep. 22-23, the different positions within ASEAN emerged as a major stumbling block to achieving common ground on the idea of free trade in APEC.

An issue that proved no less contentious was the EPG's call to extend most-favoured-nation (MFN) treatment to APEC members. Thailand surprisingly took the strongest exception to this, with Deputy Prime Minister Supachai Panitchaphak arguing this could dilute the ASEAN Free Trade Area (AFTA), a fear other ASEAN countries apparently share. Officials opposed to the plan told BT that the EPG "was engaging in semantics" by denying it was not calling for a free trade area.

At one point, Dr. Supachai even talked of "a hidden agenda" behind the EPG proposal. A Brunei senior official told BT that some ASEAN countries feared APEC would be used by the U.S. and "the NAFTA bloc" within APEC as leverage in trade disputes with the European Union (EU).

This, he said, could undermine ASEAN's trade interests given the importance of the EU as a trading partner. In the end, given the lack of consensus, the ASEAN ministers downgraded the EPG report to "a useful reference book." In a sign of some unhappiness, the ministers also pressed for the EPG to be disbanded, saying it had completed its job.

ASEAN's failure to forge joint support for the EPG free trade plan may be seen as an early victory for Dr. Mahathir. But on the other hand, the lack of consensus means there was no agreement to oppose the plan either. This, according to supporters of the proposal, will give the APEC leaders a free hand, presumably to push it through, when they meet in summit.

As Singapore's trade and industry minister, Yeo Cheow Tong, put it in an interview with BT in Chiang Mai: "Our inclination is not to constrain discussion among leaders, so as to give them more flexibility."

In this regional shadow play over the APEC question, the positions of Indonesia, Japan, China, and the United States are crucial.

Indonesia enjoys a preeminent position within ASEAN, has the world's fourth largest market, and is the APEC summit host this time. Japan is the world's second largest industrial and economic power. China has the largest market in the Asia-Pacific that will be most affected by an APEC trade and investment liberalisation. And the U.S., given its status as the world's primary military and economic superpower, is an important pillar of APEC.

Japan, normally cautious and insistent about giving priority to GATT over regional groupings, has expressed support for the EPG plan. At a press conference in Chiang Mai, Minister for International Trade and Industry Ryutaro Hashimoto said he would be comfortable with the proposal. But Japan's bilateral problems with the U.S., if not decisively resolved by November, could colour Japan's position in Bogor.

China is likely to qualify its stand on the free trade plan until the U.S. stops blocking Beijing's bid to rejoin

GATT, according to the high-level source. China, like Indonesia, also worries about losing out if it opens up its economy too fast, too soon to others. China's final position is likely to be clearer when President Jiang Zemin visits ASEAN capitals on the way to Bogor.

So what about President Bill Clinton? Having taken APEC in a more purposeful direction, it is highly unlikely he will oppose any move to give APEC more muscle. But the U.S. approach to APEC has also been rather cautious, despite criticisms that Washington wants to dictate APEC's pace and role. The view in Washington is that the U.S. prefers to let Indonesia, as the host, set APEC's pace and agenda.

The belief is that Mr. Suharto may want to see something tangible coming out of the Bogor summit by which he can be remembered. It is in this context that the U.S. will throw its support behind Mr. Suharto's intention to go for APEC trade liberalisation by 2020.

But while this is true, Mr. Suharto—the master consensus builder—may also want to forge a consensus acceptable to all, without leaving out the view of any leader at the Bogor summit.

Dr. Mahathir boycotted the Seattle summit in protest over what he saw as Washington's inconsistent stand. After having formed NAFTA, the U.S., he said, had no business opposing an East Asian grouping. Kuala Lumpur has, however, indicated that Dr. Mahathir will attend the Bogor retreat out of deference to Mr. Suharto.

While this change of heart is a coup of sorts for Mr. Suharto, Dr. Mahathir's presence, ironically, will also pose a tricky situation. Now that Dr. Mahathir has deferred to Mr. Suharto, the latter may not want to put the Malaysian leader in a spot by not taking into account his reservations.

The APEC trade ministers meeting in Jakarta today and tomorrow are likely to find that the call for freer trade is one thing; getting it off the ground is quite another. Still, it will be a milestone if the APEC ministers decide this week to recommend to their leaders to go all the way for free trade in the Asia-Pacific region.

Evolution of East Asian Economic Caucus Noted

BK0610124494 Singapore BUSINESS TIMES in English 5 Oct 94 p 15

[Article by Yang Razali Kassim, BUSINESS TIMES' Regional Analysis editor: "Can't See Eye-to-Eye on the APEC Free Trade Issue"]

[FBIS Transcribed Text] If you can't achieve it in form, go for the substance. Given this new tack, Malaysian Prime Minister Mahathir Mohamed's idea of an East Asian Economic Caucus (EAEC) is finally taking shape. But nobody's going to call it the EAEC. And no East Asian minister is going to be caught saying he's just been to an EAEC meeting. What they'll probably say is that

they've just been to an East Asian informal luncheon or a retreat. And when they meet, they may not even talk about EAEC issues—just "matters of common concern" among trading partners. Indeed, they have already met.

The first time was in Bangkok in July involving East Asian foreign ministers. It was called an informal luncheon held on the periphery of the first ASEAN Regional Forum (ARF). The other foreign ministers involved were from Japan, China, and South Korea.

Six months from now, it will be the turn of the East Asian economic ministers. The plan is for them to meet in April in the Thai resort island of Phuket. The decision to have this parole was made by the ASEAN economic ministers when they met in Chiang Mai last month for the 26th ASEAN economic ministers meeting.

Singapore's trade and industry minister, Yeo Cheow Tong, who stated in no uncertain terms Singapore's support for the EAEC during a meeting with the press, took pains to stress, however, that it would not be an EAEC meeting, just a retreat involving "ASEAN's trading partners in the region."

Call it what you may; the retreat if held as planned, will undoubtedly be significant. It will be the first time that East Asian economic ministers will meet on their own, on ASEAN ground, and talking as trade partners.

The growing support for the EAEC comes at a time when the Asia-Pacific Economic Cooperation (APEC) forum is taking steps to become a region for free and open trade.

The idea of an EAEC was first mooted by Dr. Mahathir a few years ago amid fears in Asia that the global trading system was breaking up into American and European economic blocs.

Initially called an East Asian Economic Grouping (EAEG), it was to give East Asians a negotiating forum to face the emerging European Union and the North American Free Trade Agreement (NAFTA). But the United States under President George Bush opposed the EAEC's formation in the belief that it would exclude the U.S. and give Japan an unfair advantage in East Asian markets. Putting its reservations in the most alarmist possible terms, Washington painted the EAEC as a creature that could "split the Asia-Pacific down the middle."

The U.S. urged instead that East Asia give priority to APEC, which will not exclude the U.S. and other economies in the region such as Australia and New Zealand. Washington then pressured Japan not to be involved in the proposed EAEC, which Dr. Mahathir wanted Tokyo to lead. The U.S. said it would accept the EAEC only if it was not opposed to APEC.

Dr. Mahathir, in response, accused the U.S. of double standards, charging that it had no grounds to deny East Asians the right to group themselves when the U.S. was itself forming NAFTA. Denying that the EAEC was opposed to APEC, he accused the U.S. of hijacking

APEC in a direction it was not supposed to go. APEC, Dr. Mahathir said, was meant to be a loose consultative forum, but Washington was turning it into a bloc to deal with the European Union. But Dr. Mahathir could not gather enough initial support for the EAEC because of Japan's reluctance to antagonise the U.S. Some ASEAN countries, which initially supported the EAEC idea, later also became hesitant.

Over time, however, compromises evolved and the opposing positions narrowed. After President Bill Clinton took over, the U.S. opposition to EAEC softened, although Washington has yet to openly accept it. Kuala Lumpur subsequently accepted the EAEC "as a caucus within APEC"—with the key word being "within" as opposed to "under"—paving the way for a joint ASEAN position in support of the EAEC.

After ASEAN adopted the EAEC, ASEAN Secretary General Ajit Singh was assigned to tour East Asian capitals such as Tokyo, Beijing, and Seoul to get them to come aboard. Tokyo, still mired in a trade dispute with Washington, remains cautious in its official stand on the EAEC, but there is a clear softening in the Japanese position as well.

What has helped to soften Tokyo's stand is ASEAN's new tack of stressing the substance and not the form of the East Asian talks. As a result, ASEAN was able to achieve a breakthrough with the first "EAEC luncheon" in Bangkok. The proposed Phuket retreat is another advancement.

It is significant that the meeting will involve economic ministers, consistent with the EAEC's role as an economic forum. Japan's minister for international trade and industry, Ryutaro Hashimoto, when asked during a press conference in Chiang Mai about Tokyo's stand on the EAEC, said he was giving it "serious consideration."

Singapore's Yeo Cheow Tong confirmed in a meeting with the press that the Japanese minister would be in Phuket "if his schedule permits it."

There is clearly a growing realisation that the idea of an EAEC is here to stay.

Indeed, whatever it may be called, East Asia is fast shaping its own identity due primarily to the rapid economic growth of the economies that fall under its ambit: the ASEAN countries, the newly industrialising economies (NIEs) such as Singapore, South Korea, Taiwan, and Hong Kong, and now China. Soon, it will have to consider Vietnam as well.

It is difficult to see how the EAEC will not evolve beyond the informality that it has been dressed in. But when the EAEC finally takes shape, it will, along with ASEAN, form another major bloc within APEC. Will it end up steering APEC?

Malay Minister Attends NAM Meeting in New York

BK0610115894 Kuala Lumpur Voice of Malaysia in English 0600 GMT 6 Oct 94

[FBIS Transcribed Text] Malaysia has called on member countries of the Nonaligned Movement, NAM, to maintain their objection of the power politics of major countries with the aim to preserve their dominance of the United Nations. Foreign Minister Datuk Abdullah Ahmad Badawi said NAM members should continue to work or form a representation that truly reflects the permanent interests of various regions. He said this at a meeting of NAM foreign ministers in New York. Datuk Abdullah added that the movement must also be unequivocal in its demands. Consultation between (?two) countries in the Security Council, currently practiced which involve ad hoc meetings, is inadequate.

Japan**MITI Announces U.S. Framework Talks Schedules****Paper Sector Talks: 20 Oct**

OW0610141594 Tokyo SANKEI SHIMBUN in Japanese 5 Oct 94 Morning Edition p 9

[FBIS Translated Text] A senior official at the Ministry of International Trade and Industry disclosed on 4 October that Japan and the United States will hold a division-chief-level meeting on paper products in Washington on 20 October. The meeting is intended to make regular evaluations of the progress of foreign products' access to the Japanese market, based on the January 1992 Japan-U.S. agreement. This will mark the full-fledged start of negotiations on the paper product sector under the Japan-U.S. economic framework talks.

At the upcoming meeting, such factors as the amount of Japan's imports of foreign products and export efforts by U.S. firms will be evaluated. However, the two sides are now at odds. While the United States has complained about the lack of transparency in Japan's paper distribution system, Japan has stated: "The quality and standards of U.S. products are different from those from Japan. U.S. firms have not made enough efforts to suit their products to the taste of the Japanese market." This confrontation is expected to draw attention as a point at issue in the future.

Working-Level Talks: 12-14 Oct

OW0710105094 Tokyo KYODO in English 1010 GMT 7 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Japan and the United States will hold a series of working-level trade "framework" talks in Tokyo next week on areas which have yet to be covered in the latest negotiations, the trade ministry said Friday [7 October].

The Ministry of International Trade and Industry (MITI) said the talks on how to enhance foreign investment in Japan are set for Wednesday and Thursday.

The two countries will hold a meeting Thursday to study Japan's corporate relations, MITI said.

A working-level meeting will be also held for two days from Thursday on ways to expand foreign access to Japan's flat-glass market.

After 15 months of talks since the framework accord's launch in July last year, Tokyo and Washington reached agreement last week on two of the three priority areas—government procurement and insurance—and flat glass.

The coming talks on flat glass are based on the latest framework agreement that calls for wrapping up detailed measures within one month.

The talks on investment in Japan and company-to-company relations are part of economic harmonization under the framework accord.

No Gaps in Understanding

OW0710114494 Tokyo YOMIURI SHIMBUN in Japanese 7 Oct 94 Morning Edition p 9

[FBIS Translated Text] In connection with accords reached in negotiations under the framework Japanese-U.S. trade talks, Foreign Minister Yohei Kono spoke at a 6 October plenary session of the House of Councillors and commented on the issue of objective criteria, and in particular the claim that there is a difference in interpretation between Japan and the United States.

The foreign minister stated: "It has been confirmed that evaluation will be made on the basis of neutral criteria and that no commitments have been made regarding any results in the future whatsoever. Therefore, I do not think there are any differences in understanding between Japan and the United States."

Vice Foreign Minister Interviewed on Trade Talks

OW0710022194 Tokyo SANKEI SHIMBUN in Japanese 5 Oct 94 Morning Edition p 2

[FBIS Translated Text] Japan and the United States have concluded agreements on three sectors under the economic framework talks. We interviewed Vice Foreign Minister Kunihiko Saito on the agreement details and future Japan-U.S. relations:

[SANKEI SHIMBUN] It took 15 months to reach the agreements...

[Saito] These have been difficult negotiations. The U.S. Government demanded visible results, and the Japanese Government insisted that it is impossible to make promises for the future. As there has been a big gap in the two countries' standpoints, it was very difficult to make effective adjustments.

[SANKEI SHIMBUN] It is said the bilateral agreements are quite ambiguous. What is your comment on this point?

[Saito] In these agreements, we did not make any future-oriented commitments. The United States will not be able to use the agreements to blame Japan for breaking any commitments.

[SANKEI SHIMBUN] Why did the United States deal with the framework talks in such a strong manner?

[Saito] Japan has a continual trade surplus against the United States, and this looks abnormal from their viewpoint.

[SANKEI SHIMBUN] Some business leaders said Japan should review the status of the framework talks because they are "ineffective for trade surplus reduction." What do you have to say?

[Saito] It is possible to achieve a substantial reduction in Japan's trade surplus through the framework talks. Agreements on individual fields may not immediately reduce the trade surplus; however, we have to start with what we can.

[SANKEI SHIMBUN] In the process of the negotiations, the two nations were often obsessed with mutual distrust. How will the negotiations affect future Japan-U.S. relations?

[Saito] As a whole, I think the negotiations had a positive influence. Concessions in three sectors are significant enough.

[SANKEI SHIMBUN] What was the key point in breaking the deadlock over negotiations?

[Saito] Both nations had a strong desire to settle the talks at this juncture. Their top leaders considered it unfavorable for negotiations between friendly nations not to be settled after 15 months.

[SANKEI SHIMBUN] It was quite unusual for Japan to send two cabinet ministers—Foreign Minister Yohei Kono and International Trade and Industry Minister Ryutaro Hashimoto—to the latest negotiations...[ellipses as received]

[Saito] Mr. Hashimoto went Washington again and again, and his sincere attitude exerted a favorable influence on the overall negotiations.

[SANKEI SHIMBUN] Observers said the United States purposely stimulated a sense of rivalry between the two Japanese negotiation leaders...

[Saito] I do not think these two experienced politicians fell into such a trap.

Public-Sector Procurement Bidding Limits Ordered

OW0710095894 Tokyo KYODO in English 0924 GMT
7 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—The government instructed all public sectors Friday [7 October] to comply with a planned reduction in minimum limits on government procurement bidding, which were agreed upon in the recent Japan-U.S. framework trade talks, government officials said.

The minimum limits apply to all public-sector bidding in the telecommunication and medical equipment areas.

The government told the sectors Japan is to gradually reduce the minimum limits from 130 million yen or 800,000 special drawing rights (SDRs) in fiscal 1995 which starts next April 1.

The limits will be lowered to 97 million yen or 600,000 SDRs in fiscal 1996, to 65 million yen or 400,000 SDRs in fiscal 1997, and to 63 million yen or 385,000 SDRs in the following year.

In bidding, the government said public sectors should also consider the performance and other advantages of the equipment offered, rather than the current common practice of only examining prices, the officials said.

Accelerated Asian, U.S. Demand Increased Exports

OW0410083694 Tokyo NIHON KEIZAI SHIMBUN in
Japanese 28 Sep 94 Morning Edition p 1

[Text] Japan's exports are increasing even though the yen rate is fixed at high levels. Exports to the United States began to pick up in June, primarily due to an increase in automobile and auto parts exports. In August, exports to Asia were up 12.3 percent from the same month last year, and those to the European Union [EU] are recovering from a prolonged slump. It appears the growth of foreign demand is overcoming appreciation of the yen rate. The Ministry of Finance said the recent upturn in Japan's exports is "not a result of dumping," but the U.S. Government warned "that it would delay a reduction of Japan's trade surplus." At the Group of Seven (G-7) finance ministers' talks, which begin on 1 October, the United States is expected to urge Japan to take further pump-priming measures.

Until spring 1994, Japan's quantitative export index, which indicates the quantity of exports on a customs basis, was worse than the previous year. However, quantitative exports to the United States picked up last June for the first time since May 1993, and they have been growing for three straight months.

The primary reason for the recovery of exports to the United States is the increase in automobile and auto parts exports. U.S. consumer demand pushed up exports of assembled cars in June and July, and auto parts exports are also increasing in line with expanded auto production in the United States.

Exports to Asia have been constantly growing since early 1992. In sum, the recovery of exports is powered by the United States and Asia.

Exports to the EU suffered a double-digit decline until last spring, but the prolonged slump is improving. The record in August was only 3.3 percent below that of the previous year. The Japan Foreign Trade Council Inc. said "recent signs suggest to us the recovery of exports to Europe."

The yen rates have been at high levels of below 100 yen to a dollar since June, but exports are increasing owing to an expansion of foreign demand in line with a recovery of the world economy. Construction machinery and paper companies are going to raise the export prices of their products. A major paper company noted: "We are gaining conditions for smooth price hikes" owing to brisk consumer demand.

Export contracts for 19 major trade houses, which will affect export records in three to six months, picked up in

June and July—the figure in July was up 3.3 percent from the previous year and a trade house source said they did well in August also. While it is believed that “the U.S. economy may be slowed by the government’s tight-money policy, and Japan’s exports will not keep growing” (as noted by Sakura Research Institute), a steady increase in exports is likely to push Japan’s economic recovery for the time being.

Yet, the increase in exports is delaying reduction of Japan’s trade surplus. Fuji Research Institute noted “Japan’s efforts to cut the trade surplus are making very slow progress despite a steady increase of imports.” The U.S. Government is frustrated by the situation, saying: “Japan’s trade surplus is still a big problem, but its exports are increasing again” (as noted by the Treasury Department). In connection with this, U.S. Undersecretary of Treasury Lawrence Summers recently stressed: “Japan must continue its pump-priming efforts,” noting an intention to bring up this issue at the forthcoming G-7 ministerial talks.

Takemura Wary of Easing OTC Listing Conditions

OW0610124194 Tokyo KYODO in English 1030 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Finance Minister Masayoshi Takemura told a plenary session of the House of Representatives on Thursday [5 October] that he is cautious about easing requirements for companies which want to list themselves on the over-the-counter (OTC) market.

“From the viewpoint of protection for investors, it may be difficult,” Takemura said, adding that Japanese conditions for OTC listing are not too tough compared with those in other countries such as the United States.

Asked about the recent hollowing-out of Japanese financial and money markets—symbolized by such moves as the delisting of some foreign companies from the Japanese stock markets, and declining trading volume in the foreign exchange market, Takemura said those incidents cannot be seen as a single phenomenon.

“Various economic factors, including the strong yen and cyclical changes in the economy, are working together,” he said.

Some of these factors are producing favorable effects to revitalize the markets, Takemura added.

Further on Tokyo’s Bid for UNSC Permanent Seat

Supported by 47 Nations

OW0710023294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 6 Oct 94 Morning Edition p 2

[FBIS Translated Text] On 5 October, a ranking official of the Ministry of Foreign Affairs [MOFA] speaking on

the question of UN reform, said that so far 47 countries have formally expressed their support for Japan and Germany becoming permanent members of the UN Security Council. This number was derived by tallying up speeches by delegates to the UN General Assembly or working group sessions in support of their membership, but not counting expressions of support made during bilateral meetings with Japan. The MOFA official added: “There will be more speeches; it is possible the number will grow further.”

MOFA Unhappy About Others’ Bid

OW0710100694 Tokyo ASAHI SHIMBUN in Japanese 6 Oct 94 Morning Edition p 2

[FBIS Translated Text] With regard to the declaration by Brazil and other nations of their bid for becoming a permanent member of the UN Security Council [UNSC], the Ministry of Foreign Affairs [MOFA] feels that discussions on reform of the UNSC will be revitalized in earnest. However, all the nations that recently announced their bid are major powers in their region. A senior MOFA official said: “Each of them is proficient in pursuing diplomacy. While we can expect heated discussions on the issue of UNSC reform, we cannot hope for an early conclusion. The situation has become difficult.” This comment can be regarded as the MOFA’s real intention.

Japan and Germany have been seeking to gain a permanent seat on the UNSC. There is a view that if only the two countries are admitted to become the UNSC permanent members, a veto will be smoothly granted to them. The reason why Japan has emphatically stressed its financial contribution to the United Nations as well as the fact that it is the second largest economic strength in the world is that it intends to keep major regional powers in check—Japan has been prepared in some measure to face their bid for a permanent UNSC seat.

According to the MOFA, about 15 nations—eight Latin American countries, including Brazil; six Middle Eastern and African countries, including Egypt; and countries in the Asia and Pacific region—indicated their support for Japan’s bid to become a permanent UNSC member during the recent foreign tour of Yohei Kono, deputy prime minister and concurrently foreign minister. The declaration by Brazil, Egypt, India, and others of their intention to become a permanent UNSC member does not directly lead to their intention “not to support Japan’s bid.” However, it is difficult to tell what impact the manifestation by the regional major powers will have on their neighboring countries as well as other countries. For this reason, Japan will likely be forced to review its strategy for obtaining support for its bid at the UN General Assembly from two-thirds of all the UN member nations—the necessary number for Japan to be admitted as a permanent UNSC member.

ROK Avoids Giving Support

OW0610152294 Tokyo KYODO in English 1457 GMT
6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—South Korean Foreign Minister Han Sung-chu avoided giving open support on Thursday [6 October] for Japan's bid to obtain a permanent membership of the UN Security Council, Japanese Foreign Ministry officials said.

They quoted Han as saying that Seoul would consider its position after watching developments in debates at the world body.

Han made the comments in a meeting with his Japanese counterpart Yohei Kono.

Han told Kono South Korea "understands that Japan is trying to assume a role in the new international order commensurate with its national strength" at the UN and other international stages, the officials said.

"On the other hand, we want to consider our position on the problems surrounding bids by certain countries, including Japan, to obtain (UN Security Council) permanent membership after closely watching the developments of the debates now being held at the U.N.," Han was quoted as saying.

In an address to the UN General Assembly on Monday, Han suggested creating a "third category" of members in the reformed UN Security Council, saying the creation of such a category, coupled with the expansion of non-permanent membership, "may be an answer" to the question of how to enlarge the 15-nation key UN body.

Han said the introduction of such a category could help to maintain the council's effectiveness, but did not elaborate on the nature of it.

Kono told Han Japan wants to actively engage in activities to promote peace and stability in the world and fulfill its responsibilities if it became a permanent member of the UN Security Council, the officials said.

Kono also touched on South Korea's bid to become a nonpermanent member of the council and said Japan wants to "consider it in a favorable way," they said.

Also in the 90-minute meeting followed by dinner, Kono and Han agreed that a complete solution to North Korea's nuclear problem is essential before offering assistance for North Korea to convert its graphite-moderated reactors to light-water reactors, the officials said.

Kono told Han that Japan's normalization of ties with Pyongyang would be difficult without a solution to the nuclear problem.

Han and Kono agreed on the importance of urging Pyongyang to allay international concerns over its alleged development of nuclear weapons, including its

past activities, and to faithfully abide by the contents of its agreement with the United States in August, they said.

At the Geneva talks in August, North Korea agreed that it will freeze its nuclear program and stay in the Nuclear Nonproliferation Treaty (NPT) in exchange for Washington's promise to help it replace its graphite-moderated nuclear reactors with light-water reactors.

Kono Holds Talks With ROK Foreign Minister

OW0610134294 Tokyo KYODO in English 1257 GMT
6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Normalizing ties with North Korea will be difficult for Japan without a solution to the problem of Pyongyang's suspected development of nuclear weapons, Foreign Minister Yohei Kono said Thursday [5 October].

Kono reiterated Japan's position during a 90-minute meeting with his South Korean counterpart Han Sung-chu, Foreign Ministry officials said.

Kono told Han there is still no prospect of resuming normalization talks with Pyongyang, suspended in November 1992 after eight rounds of negotiations, the officials said.

He was quoted as saying that even if talks resume, normalization of bilateral relations will be difficult unless North Korea's nuclear problem is solved.

Kono and Han reaffirmed the importance of urging Pyongyang to allay international concerns about its alleged development of nuclear weapons, including its past activities, and faithfully abide by the contents of its agreement in August with the United States, they said.

At the Geneva talks in August, North Korea agreed it would freeze its nuclear program and stay in the Nuclear Nonproliferation Treaty (NPT) in exchange for Washington's promise to help it replace its graphite-moderated nuclear reactors with light-water reactors.

Cooperation on DPRK Assured

OW0610124894 Tokyo KYODO in English 1033 GMT
6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Prime Minister Tomiichi Murayama and South Korean Foreign Minister Han Sung-chu reaffirmed Thursday [5 October] that they will be in close contact to deal with the problem of North Korea's alleged development of nuclear weapons, Foreign Ministry officials said.

Also during their 30-minute meeting at Murayama's official residence, the Japanese prime minister voiced support for a bid by South Korean Trade, Industry and Energy Minister Kim Chul-su to head the World Trade Organization (WTO), the officials said.

In the meeting, Murayama and Han agreed that the ongoing talks between the United States and North Korea on the nuclear problem are hitting a snag, they said.

Han told Murayama it is either because North Korea is taking a tough stance in the negotiations to win a maximum compromise from the U.S., or because Pyongyang is unable to make big decisions because Kim Chong-il's succession is not yet official.

Murayama said he gives high marks to U.S. efforts on the issue but that he understands the current situation leaves little room for optimism.

Murayama and Han agreed that consultations among Japan, South Korea and the U.S. have been effective so far and that they should continue to maintain close cooperation, the officials said.

On the WTO leadership, Murayama said Japan supports the bid by South Korea, because the two countries have friendly ties and Kim has rich experience in world trade affairs.

Han thanked Murayama for supporting the South Korean effort to obtain the post at the WTO, which is scheduled to be formed in January 1995 to replace the General Agreement on Tariffs and Trade (GATT), the officials said.

Murayama and Han did not discuss issues surrounding reform of the United Nations, the officials said.

After emerging from the meeting, Han told reporters that he reiterated his call to create a "third category" of members for a reformed UN Security Council.

"I think, from a realistic point of view, in any case, even those countries with veto power are questioning it," Han said. "Therefore, a realistic solution is to accept the third category," he said, adding that it could help maintain the council's effectiveness.

In an address before the UN General Assembly in New York on Monday, Han said, "the creation of a third category of council members coupled with the expansion of nonpermanent membership may be an answer" to the question of how to enlarge the 15-nation body.

Han also said Japan should concentrate on "serving on the Security Council for a long time" rather than being "preoccupied" with the matter of veto power.

Stance Toward DPRK Agreed

OW0710112094 Tokyo KYODO in English 1047 GMT 7 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Prime Minister Tomiichi Murayama and South Korean President Kim Yong-sam agreed Friday [7 October] on the need for Japan, the United States and South Korea to

stand resolute in pursuit of a breakthrough in North Korea's nuclear standoff with the international community.

In a 20-minute telephone conversation, the two men also lauded U.S. efforts in bilateral negotiations with North Korea to bridge differences over Pyongyang's alleged push for nuclear arms, foreign ministry officials said.

Kim also thanked Japan for its support for South Korean trade, Industry and Energy Minister Kim Chol-su to head the World Trade Organization (WTO), the officials said.

The WTO is scheduled to be launched in January 1995 to replace the body which administers the General Agreement on Tariffs and Trade (GATT).

Murayama and Kim also reportedly shared the view that the further promotion of bilateral cooperation on the multilateral front will be beneficial to Asia and the whole world.

While Kim said he hopes to talk by telephone with Murayama whenever necessary, Murayama replied that he looks forward to having a reunion with the South Korean leader again at an informal summit of the Asia-Pacific Economic Cooperation (APEC) forum scheduled for Jakarta in November, the officials said.

Murayama met with Kim when he visited South Korea in July.

Foreign Ministry Regrets New PRC Nuclear Test

OW0710102994 Tokyo KYODO in English 0950 GMT 7 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Japan voiced regret Friday [7 October] over China's nuclear test earlier in the day, the third since October last year, and strongly urged China not to continue testing in the future.

Foreign Ministry Spokesman Terusuke Terada told a press conference that Japan had confirmed with the Chinese Foreign Ministry that China conducted a nuclear explosion at 12:25 P.M.

Terada quoted the Chinese Foreign Ministry as saying the details of the test will be reported through the XINHUA NEWS AGENCY.

He also said Japanese Vice Foreign Minister Kunihiro Saito will lodge a protest with Chinese Ambassador to Japan Xu Dunxin later in the evening.

It is "extremely regrettable" and Japan is "seriously concerned" that China has conducted as many as three nuclear tests since October last year while other nuclear weapon states are continuing with the nuclear testing moratorium, Terada said.

"Japan hopes the nuclear test does not affect the negotiations on a comprehensive nuclear test ban treaty being

conducted at the conference on disarmament in Geneva," he said, and called on the nuclear weapon states to continue to refrain from conducting nuclear tests.

Reports from Australia said an Australian seismological laboratory had recorded data consistent with a nuclear explosion at China's nuclear testing facility in Lop Nor.

The Canberra-based Australian Seismological Center estimated the yield of the explosion at between 40 and 150 kilotons.

Editorial Discusses PRC-Taiwan-Japan Triangle

OW0610131894 Tokyo MAINICHI SHIMBUN in Japanese 3 Oct 94 Morning Edition p 5

[Editorial: "Taiwan Vice President Hsu's Visit to Japan and Relations Among Japan, China, and Taiwan"]

[FBIS Translated Text] The Hiroshima Asian Games opened without China boycotting the event. However, the situation is still stormy because Hsu Li-te, the Taiwan executive yuan deputy premier who is visiting Japan as the "president of Taiwan's 2002 Asiad Bidding Committee," is reportedly seeking informal talks with pro-Taiwan dietmen and cabinet members.

Top government leaders have repeatedly stressed that "it is impossible for government-level contact with Hsu to be made." The Japanese Government should keep its pledge and hold to that position.

In protest against Hsu Li-te's visit to Japan, Chinese State Council member Li Tieying (CPC Political Bureau member) canceled his scheduled visit to Japan. In this way, the issue of the Taiwan leader's visit to Japan is having an impact on political exchanges between Japan and China.

The worsening of Tokyo-Beijing relations is not desirable in view of stabilizing the East Asian situation. It is hoped that Vice Premier Hsu will refrain from activities that are not related to sports.

The government accepted Taiwan Vice Premier Hsu Li-te's visit to Japan, saying Japan accepts him just as "president of Taiwan's 2002 Asiad Bidding Committee." However, the expediency the government employed to admit Hsu as a sports official embroils Japan in political maneuvering between Beijing and Taipei.

In fact, although President Li Teng-hui's participation in the Asian Games was canceled, there are still moves to invite him to a reunion of Kyoto University, his alma mater, as "an individual member" of the reunion and as "an honored guest" to the Asia Open Forum scheduled to be held in Japan late this month. However, in getting along with China, Taiwan always draws a sharp line between "governmental" and "nongovernmental" affairs, and it has never used separate titles for the sake of expediency.

When a high-ranking official of the Presidential Office and Executive Yuan Mainland Affairs Commission was appointed secretary of the Taiwan Straits Exchange Foundation—the Taiwan side's representative office for "nongovernmental" exchanges between China and Taiwan—he took his new post after resigning his government post. This is because Taiwan maintains a basic stand of "not making official contact with China at present."

Ripples caused by President Li's announcement of his intention to take part in the Asian Games opening ceremony have given impetus to moves of some pro-Taiwan Japanese dietmen. However, China has become nervous, particularly about moves of Japan, which after the Sino-Japanese War put Taiwan under its control as a colony for 50 years. It is expected that from now on, China will make all-out efforts to dissuade the 29 countries that still recognize Taiwan from doing so. There is the possibility that pro-Taiwan dietmen's moves, against their wills, will narrow the sphere of Taiwan's intentional activities.

The issue of the Taiwan leader's visit to Japan coincided with the U.S. Government's moves toward shifting its policies toward Taiwan for the first time in 15 years. In view of this, China's apprehension is understandable. However, it is advisable that China will see the situation in broader aspects.

In the present situation wherein China is doubtful about Japan's move, Japan should not do anything to ruffle Beijing's feathers. However, in fact, China should rest assured that no matter who visits here from Taiwan, it is impossible for this country to make such occasions a momentum toward establishing diplomatic ties with Taiwan. This is because Japan respects China's "one-China" policy, and establishing diplomatic relations between Japan and Taiwan automatically leads to a break of relations between Japan and China.

Meanwhile, it is necessary to pay more consideration to complex public views of Taiwan.

Opinion polls in Taiwan indicate that few people advocate immediate independence or unification. The majority of the people do not want to see any change. Many people feel that the mainland and Taiwan will go into relations of coexistence and coprosperity in the future.

Underlying the Taiwan people's hesitation in being immediately unified with the mainland is economic and political gaps between the two. Unlike Hong Kong, Taiwan is not administered by foreign nations. What is most important for China to do is to patiently get rid of the Taiwan people's distrust and misunderstanding of the mainland by deepening economic, cultural, and human exchanges with Taiwan.

Ending of Israel Boycott by Arab States Welcomed*OW0710105994 Tokyo KYODO in English 1015 GMT 7 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Japan on Friday [7 October] welcomed an announcement last week by six Persian Gulf Arab states to drop their decades-old boycott of companies that trade with Israel.

Foreign Ministry Spokesman Terusuke Terada said in a press conference that Japan gives high marks to the "positive initiatives" by the Gulf Cooperation Council (GCC) to end the boycott, adding that Tokyo has been seeking its abolition as a member of the group of seven economic powers.

The GCC groups Saudi Arabia, Kuwait, United Arab Emirates, Oman, Bahrain and Qatar.

Japan hopes the decision will promote the Middle East peace process and strengthen ties between the Japanese business world and the region, Terada said.

After meeting with U.S. Secretary of State Warren Christopher, foreign ministers of the GCC announced in New York on Sept. 30 that the GCC will end the secondary and tertiary aspects of the boycott to mark progress in Middle East peace talks.

The secondary part refers to an Arab League ban on trading with foreign companies that deal with Israel, while the tertiary aspect deals with companies that trade with those companies or are subsidiaries of them.

The primary aspect bans Arab companies from trading with Israel.

The boycott was first imposed in 1947 but has been steadily eroding recently.

Igarashi Expecting Quake Relief From Russia*OW0710024894 Tokyo KYODO in English 0225 GMT 7 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Russia will request earthquake relief from Japan possibly early next week for those who suffered in Tuesday's powerful earthquake that struck the Russian-held northern islands claimed by Japan, the top Japanese Government spokesman said Friday [7 October].

Chief Cabinet Secretary Kozo Igarashi told a news conference the Russian Government will send a fact-finding mission headed by Vice Premier Yuriy Yarov shortly to the four islands off Hokkaido. Moscow will inform Tokyo of the level of assistance that is required after hearing the mission's findings, Igarashi said.

Japan, meanwhile, has begun to assemble relief supplies, such as medicine and food, so it can provide them to those who suffered in the earthquake as quickly as possible, Igarashi said. Referring to the possible dispatch

of a rescue unit, Igarashi said islanders do not need assistance in personnel, transportation and aircraft, but require it in medicine and food.

On Tuesday night, the earthquake, with a magnitude of 7.9 on the Richter scale, rocked an extensive area of northern Japan and a chain of islands north of Japan, including the four disputed islands—Etorofu, Kunashiri, Shikotan and the Habomai group of islet. At least seven Russian residents were killed and more than 1,000 made homeless. Japan has long demanded the return of the four islands, which the former Soviet union seized at the end of World War II.

Tokyo To Send Medicine, Food*OW0710081594 Tokyo KYODO in English 0643 GMT 7 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Japan will focus its aid to four earthquake-stricken Russian-held islands northeast of Hokkaido on medical and food supplies, rather than on personnel help, in response to an expected formal request from Moscow, Foreign Minister Yohei Kono said Friday [7 October].

Kono told reporters after the day's cabinet meeting that he is waiting for a report from a Russian fact-finding mission which is to visit the islands to assess the islanders' needs.

On Tuesday evening, an earthquake with a magnitude of 7.9 on the Richter scale rocked northern Japan and a chain of islands north of Japan, including the four islands of Etorofu, Kunashiri, Shikotan and the Habomai group of islets. At least seven Russian residents died and more than 1,000 were made homeless.

Japan has long demanded the return of the four islands, which the Soviet Union seized at the end of World War II.

Kono left open the possibility of also sending a Japanese mission to the islands.

Chief Cabinet Secretary Kozo Igarashi told a news conference Friday that the government is not considering the dispatch of aid personnel.

Japan, meanwhile, has begun to assemble relief supplies, including medicine and food, so it can provide them to those who suffered in the earthquake as quickly as possible, the top government spokesman said.

Referring to the possible dispatch of a rescue unit, Igarashi said the islanders do not need assistance in personnel, transportation or aircraft, but require medicine and food.

Russian General on Firing at Japanese Fishermen*OW0710045194 Tokyo NHK General Television Network in Japanese 1000 GMT 6 Oct 94*

[Interview with Colonel General Nikolayev by NHK reporter Kobayashi; place and date not given—interview

is in Russian; first three paragraphs are announcer-read introduction; from "NHK News" program]

[FBIS Translated Text] In waters off the northern territories two nights ago, a fishing boat from Nemuro city, Hokkaido, was fired upon by Russian border guard troops for ignoring an order to stop; and consequently, the boat's three crew members were arrested.

This is the fourth incident in which a Japanese fishing boat has been fired upon by Russians since November last year. This type of rough action—shooting—is something that never happened during the times of the former Soviet Union.

Why have they decided to shoot? Please hear what Colonel General Nikolayev, commander of the Russian Border Security Forces, said in an interview:

[Nikolayev] We believe that until the political question is resolved—and the location of the appropriate state border line has been determined by appropriate Russian Government resolutions—our legislation is effective in waters we view as Russian. In order to maintain proper order, Russian laws give our commanders the right to take all necessary action to detain any trespassers. Our commanders need no orders from either me or the president.

[Kobayashi] Are there any methods, any means to solve this issue?

[Nikolayev] If Japanese fishermen want to catch fish, they have to present this issue to the Russian Government, on a government level. I think this is how it is done in civilized states, and a solution of this situation could be found. I think it is in both Russia and Japan's interest to put our joint economic activity in the Southern Kuril islands region into order. However, I would like to say right away that, at the same time, Russia's interests have to be fully guaranteed.

JICA To Introduce Competitive Bidding System

OW0610124294 Tokyo KYODO in English 1111 GMT
6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—The government-backed Japan International Cooperation Agency (JICA) will introduce a competitive bidding system for procurements funded by official development assistance (ODA) to developing countries, a senior Foreign Ministry official said Thursday [5 October]. The system will be designed to prevent suspected bid-rigging by major trading companies, the official said.

The Fair Trade Commission (FTC) early last month searched the offices of more than 30 trading houses to seek evidence of suspected bid-rigging for ODA-funded purchases of computers and medical equipment. Currently only designated companies are allowed to take part in bidding for ODA-funded purchases.

Paper Reviews 40 Years of ODA, Problems Cited

OW0710053794 Tokyo YOMIURI SHIMBUN in
Japanese 6 Oct 94 Morning Edition p 7

[FBIS Translated Text] Japan's Official Development Assistance (ODA) marks its 40th anniversary today, 6 October. The total ODA volume last year was \$11.4 billion, placing it first in the world for three consecutive years.

The ratio of untied aid, where the aid recipient is free to choose where to purchase commodities funded by Japanese ODA, has also increased to nearly 80 percent, the highest among aid donors. As a result, the share of Japanese companies in procurement orders funded by yen loans has fallen below 30 percent.

For this reason, the industrial plants sector, which has still to recover from the economic recession, is unhappy that obtaining orders is difficult; and Japanese companies are beginning to distance themselves from ODA business.

On the other hand, as a consequence of the recent case of suspected "dango" [bid-rigging] in technical cooperation, there is a growing demand for stricter implementation of non-discrimination between local and foreign companies by expanding the scope of general open bidding. There are still many issues to tackle before Japan can assume a leading position in world ODA, which the government is aiming at.

Aid Policy

The cornerstone of Japanese thinking on ODA is contained in the "Basic Principles of the Outline of ODA," which lays down four basic concepts, including humanitarian considerations and self-help efforts. Furthermore, four basic principles, including avoiding conversion to military use, and compatibility between the environment and economic development, are also included. These make up Japan's basic thinking on ODA.

However, Professor Torao Aoki of Josai University, an expert on world ODA policies, points out: "ODA cannot possibly be unrelated to national interest." He says Western countries have a much more strategic perspective than Japan.

Japan has also used ODA as a "tool" of foreign policy. It warned China that its nuclear explosion tests may lead to a suspension of yen loans. Likewise, it stopped aid to Myanmar [Burma] on account of human rights problems and political instability in that country. However, it does not take an explicitly strategic approach similar to that of Western nations.

Historically, Japan's ODA has developed on the basis of a desire to develop exports. Suspected cases of "dango" have recently been uncovered. Therefore, while the Foreign Ministry maintains that issues such as human rights

should be given greater consideration in the implementation of ODA, it also points out: "The priority is to improve efficiency while increasing the transparency of ODA management by completely eliminating such illicit practices as 'dango'."

Problems

Japan officially joined the common economic development program for Asia, the Colombo Plan, on 6 October 1954. That was the beginning of Japan's ODA.

Forty years later, the domestic industrial organization concerned with ODA, the Japan Consulting Institute, this year submitted a petition to the Ministries of Foreign Affairs and International Trade and Industry, and the Overseas Cooperation Fund. The document asks the government to reconsider its policy to promote more untied ODA in order to salvage the industrial plant exporters from a devastating position in the trade war.

In the past, Japanese ODA has been criticized at such venues as the OECD for "having strings attached—for instance, in terms of procurement by the aid recipients." From the 1980's, therefore, Japan has taken rapid steps to make its aid untied.

Furthermore, the share of Japanese companies, such as trading firms, in yen loan projects dropped to 29 percent in FY93. This led the business sector to ask for a review of the policy of untied aid. However, there are also increasing demands overseas for Japan to make its ODA untied. The Foreign Ministry intends to continue with its policy of untied aid.

Yen loans take up 60 percent of the entire ODA budget. However, in recent years, the ratio of actual utilization of yen loans (implementation rate) has continued to decline. In 1993, the implementation rate was only 71.3 percent.

The reason is that, yen loans are becoming less attractive to the recipients compared to funding from the World Bank and others, despite its more favorable interest terms, because the appreciation of the yen has made repayment an increasing burden. There have even been requests from China and the other developing countries for Japan to "consider offering dollar-denominated aid."

What the Business Sector Has to Say

Since around 10 years ago, Japanese trading firms have discontinued their practice of teaming up with Japanese manufacturers to place bids, and shifted to cooperation with foreign companies. This is because yen appreciation made Japanese equipment too expensive, and thus, uncompetitive.

Hirokazu Watanabe, chief of Nissho Iwai Corporation's Machinery and Information Business Department laments: "Japanese companies' share in yen loan bids is decreasing rapidly. This will probably go down to around 25 percent in FY94. If you count only procurement of

equipment from Japanese manufacturers, which have lost their competitiveness due to yen appreciation, this figure goes down to about 10 percent."

Yen appreciation is not the only problem. Other aid donor countries actually help companies in their own countries through "supplementary aid."

"Supplementary aid" is a practice wherein after a company wins the primary bid in an aid project, its government includes the aid project as its own ODA project posteriorly.

An official in charge of aid projects of a major trading firm says cynically: "Yet they count this as untied aid. In the case of Japanese yen loans, funding is first provided for the entire project, and bidding for specific deals comes later. Japan does things in a strictly principled way."

While Japanese corporate executives in the field maintain that at international venues the government should propose all aid donors increase the ratio of their untied loans, "Japan is not even in a position to argue back once it is singled out for having a huge trade surplus and a low unemployment rate."

MITI Policy To Expand Trade With Asian Nations

OW0610141394 Tokyo NIHON KEIZAI SHIMBUN in Japanese 6 Oct 94 Morning Edition p 5

[FBIS Translated Text] Beginning fiscal 1995, the Ministry of International Trade and Industry [MITI] will help Asian nations standardize their industrial products. MITI's plan includes the dispatch of administrative and technical experts on standardizing products to six nations of ASEAN and acceptance of trainees from the six nations. MITI decided that in view of the fact that thanks to economic development, ASEAN nations' industrial technology has improved and that high-quality industrial products are increasingly exported to such industrial countries as Japan, it is necessary to standardize these products. For ASEAN, Japan has already extended its cooperation, such as the establishment of patent system. This time, MITI will help ASEAN in hopes of expanding trade with Asian nations by extending cooperation in standardizing industrial products.

The project is called "total quality management" (TQM). The Japanese Standards Association, the Association for Overseas Technical Scholarship, the Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), and the Social Economic Production Headquarters will take charge of dispatching experts and accepting trainees from ASEAN nations. In particular, a special training course for trainees from ASEAN nations will be set up within JICA.

Derivatives Changing the World of Finance

942A0590A Tokyo NIKKEI KINYU SHIMBUN in Japanese 1, 2, 4, 5 Aug 94

[Article in four installments by Naotoshi Okada, Yasuo Ota, Hiroaki Hanami, Kyoko Imakawa, Taiyu Arakawa, Ken Chiba, Kojimi Ichimura, Arisa Yoshida, Takaaki Suwa, and Kiho Yokoyama, NIKKEI KINYU SHIMBUN Reporters: "Derivatives: Changing the World of Finance"]

[1 Aug 94 p 1]

[FBIS Translated Text] Trump Card for Lowering Procurement Costs

A wave of financial derivatives is sweeping into the corporate world. The costs of capital procurement are being lowered through swap trading of interest rates, and operating yield is being raised through the use of options trading that deals in rights. Companies are increasing their concern about how to use funds efficiently in the midst of slow main business, and derivatives are acquiring citizenship. Corporate finance is steadily departing from its past dependence on financial institutions with its acquisition of a diversified financial tool called derivatives, and today's circumstances call for skill in their use which impacts on competitiveness.

The general building contractors, who are in a pinch with slow orders for public works projects due to the recession and corruption scandals, are eagerly eyeing derivatives. Taisei Corporation, a major builder, has gone fullscale into interest-rate swap trading since the latter half of 1993. It benefits from trade resulting in lower interest rates by changing fixed interest rates for funds—procured through the issue of company bonds—into variable interest rates and has cut capital costs by several hundred million yen so far. At present, it is trading in swaps involving a debt of about 100 billion yen. In the future, it will prepare against a hike in interest rates including trade with a cap on rates.

The general contractors have not required plant construction nor much investment in plant and equipment [P&E], but they have increased largescale development projects since the latter 1980's. Taisei's interest-bearing obligations ballooned from about 200 billion yen at one time to 780 billion yen at the end of March 1994. Tadao Sakita, director of planning in the Finance Department, emphasizes that "our important management task is to raise procurement efficiency through the use of derivatives."

Less Expensive Than Long-Term Prime Rate

Derivatives have swiftly penetrated the lease industry. The Diamond Lease Co, which had a zero balance in swap trading five or six years ago, surpassed 100 billion yen for the first time in the March 1994 quarter, covering about 10 percent of its borrowed funds. Tatsunao Takahashi, director of the First Finance Division, points out

that "in the case of the lease company, the lease fees, which are equivalent to its sale prices, are set, and its competitiveness is decided by how it minimizes procurement costs which are equivalent to stocking costs."

Toshihiko Ishii, managing director and chief of Japan Lease Corp's Financial Department, says: "The long-term prime rate is used to form the core for borrowed funds. However, there are not a few cases where better procurement is possible through swaps." Derivatives are opening a hole in the fund procurement structure which has been bound by the existing order called the long-term prime rate.

The ALM [Asset Liability Management] concept has also infiltrated into the companies with derivatives becoming a prominent tool. The Kuraray Co., Ltd. "introduced interest-rate swapping with foreign bank know-how seven or eight years ago when Japanese banks still ignored derivatives."

A 5-percent level of operating yield in fund operations is still secured today because variable rates were changed to fixed rates through swaps when rates were still high. Meanwhile, in the aspect of lower interest rates, fund procurement with longer terms was increased to lower costs, and the swap balance surpassed 10 billion yen. Tadahiko Kujime, Finance Department director, says: "Since we suppressed P&E investment because of the recession, we have reserve funds. Our major task is to use them efficiently."

Leveling Earnings

Kawasaki Steel Corporation, a major steelmaker, is using derivatives with a rather unique purpose called leveling earnings. The steel industry is prone to influence by business conditions, and there is a tendency for "the rich and poor to repeat themselves due to the business cycle" (Tetsuo Miyazaki, Finance Department director). Therefore, Kawasaki has decided to use swap trading by paying variable interest rates and receiving fixed interest rates. The aim is to relatively increase the interest burden when business is good and to decrease the burden when business is bad and the going is rough.

When business is bad, variable interest rates drop faster than fixed rates, resulting in larger receipts and an increase in the interest burden. It is the reverse during a business recovery, but because earnings rise, it is judged that the interest burden can be absorbed. During rising interest rates, a separate swap contract to lessen the burden rise should be possible. However, the company says: "Stable earnings is the first priority. We wish to avoid complicated trading with large risks."

Some companies use derivatives to efficiently promote liquidation of stock cross-sharing which has deteriorated the efficiency of the company assets. A major U.S. securities firm reveals that "in the case of selling stocks of a cross-sharing partner company, there is trading

whereby the individual stock options can be traded to take the sales profit/loss in advance."

Concretely, trading called "covered call options" is conducted concerning the cross-shared stocks scheduled for liquidation. Even if the market drops before the cross-shared stocks are liquidated, the lost opportunity for the price-drop portion can be covered with the option-fees revenue. Because options trading is recognized only concerning stocks listed on the securities exchange, it is the view of the domestic [Japanese] securities companies that trading in unlisted individual stock options is highly illegal. However, foreign companies practice it as a kind of swap trading, and the number of companies using it is steadily growing.

Restructuring the Debt

The Financial Department director of a major nonferrous manufacturer, which actively uses swap trading, points out as follows: "Formerly, procured funds were never returned. However, with the development of swap trading, adjustment of interest rates has become possible after funds are borrowed, and debt engineering (restructuring) is being arranged."

Derivatives have both risk-avoidance and speculative facets. Because a large volume of trading is possible with little capital, there are cases where the use is intended to decrease interest burdens and to avoid market fluctuation risks, but result in unexpected losses. However, because of the prolonged recession, the companies have become unprecedentedly sensitive concerning costs. There is an ever-increasing need to prepare against an expanding amplitude of market fluctuation due to the internationalization of capital movement. How to use derivatives has loomed as an unavoidable management task.

Questionnaire of Companies Listed on the TSE

Base of Use Widens: More Than 70 Percent Admit "Impact on Economy"

A questionnaire of companies listed on the Tokyo Stock Exchange [TSE] conducted by the NIHON KEIZAI SHIMBUN with cooperation of Nikkei Research shows that the base of companies using derivatives is widening. Of the companies, 83 percent have used interest-rate swaps and 63 percent have used currency swaps. Many companies use derivatives to avoid fluctuation risks of foreign exchange rates and interest rates and to lessen procurement costs. Derivatives have become indispensable in corporate finance.

Of the 127 companies that responded to the questionnaire, 84.3 percent have used derivatives. Among the kinds of derivatives used, the top three were: 1) interest-rate swaps (83.2 percent), 2) currency swaps (62.6 percent), and 3) currency options (47.7 percent).

Regarding the reasons for using derivatives, more than 60 percent of the companies replied that it was to avoid

fluctuation risks in the foreign exchange and interest-rate markets. It is possible to visualize the companies setting up risk hedges by diversifying fund procurement and operating tools, and by swapping foreign currencies with yen and variable interest rates with fixed interest rates.

"Lowering the fund procurement costs" was given as their reason by 63.6 percent of the companies. The view that interest rates will eventually rise based on the Bank of Japan's "business recovery declaration," the needs of the companies in hoping to keep fund procurement costs low seem to be indicated in their use of derivatives. Of the companies that used derivatives with such a purpose, 95.3 percent judged that "it was effective."

Given their great concern about interest-rate fluctuations, their dependence on variable rates in terms of both procurement and operation is low. There were 32.3 percent of the companies that said 0-20 percent of their procurement is based on variable interest rates, while 59.1 percent said that 0-20 percent of their operation was based on such variable commodities as stocks and foreign bonds. More than 80 percent of the companies replied that they would not increase their procurement and operation based on variable rates in the future. A generally sensitive tendency is shown vis-a-vis interest-rate fluctuation risks.

Of the companies, 55.1 percent intend to expand their derivatives trading. A possible steady growth of the derivatives market in the future is indicated. As for the tools they would like to use, three out of four companies point out interest-rate swaps consisting of changing variable rates for fixed rates with an eye on a future rise.

About 72.5 percent of the companies recognized that "there is" or there is considerable" impact on earnings, while 37.0 percent have appointed responsible persons or sections to handle derivatives. Another characteristic of derivatives is that nearly 80 percent of the companies were not against such trading financial institutions as the main bank system. Matsushita Electric Works, Ltd. states frankly that it "will trade with multiple financial institutions and compare their profits and losses."

Some sources question whether the companies can adequately understand the risks of derivatives. In reply to the question: "Do you think derivatives are dangerous?" 89.0 percent said that "it depends on how they are used." While recognizing the dangers, they hope to be able to control the risks and to use them skillfully.

Note

The questionnaire was conducted with 300 companies (excluding financial institutions) listed on the TSE, and effective responses were obtained from 127 companies. The response ratio was 42.3 percent. The survey period was between 7 and 22 July [1994].

[2 Aug 94 p 1]

[FBIS Translated Text] **Battle Against High Yen: A "Safety Valve" for Export Revenues**

How far can the companies fight the rapidly moving high yen? For the companies that envisioned a business recovery in the last half of the year, the greatest task was how to prevent the decline in foreign currency-denominated exports. In addition to the previous advance orders for foreign exchange (dollar sales of futures), more and more companies are using such derivatives as currency options.

Preventing Decline of Earnings

"By using foreign exchange subscriptions and currency options, we have a roughly 10-percent prospect of selling dollars at an average 104 yen level in the first half," says Hiroshi Kurihara, control director of Sony Corporation's Foreign Exchange Fund Department, Foreign Exchange Division. The company with \$5 billion in dollar-denominated annual exports will see an earnings decline of about 5 billion yen because of a rise of 1 yen to the dollar. At the real rate of \$1 = 100 yen in the first half (April-September), it was able to secure the 104 yen rate and prevent an earnings drop of 20 billion yen.

The currency options used by Sony is a tool called "range forward" which combines "dollar put-options" to buy with "dollar call-options" to sell. "While preventing risks because of the progress of the high yen, we can gain opportunity profits by selling dollars in the spot commodity market, for example, if the dollar moves above 100 yen." Without it, the firm could only sit out the high-yen storm. The ratio of options among the hedges was 20-30 percent a year ago, but exceeds 50 percent today.

Another advantage of options trading is that it can be used with more mobility than foreign exchange futures. The intracompany rate set by Sony is \$1 = 105 yen. If a return to a lower yen is considered, one becomes hesitant about submitting advance orders at the double-digit level, but swift decisions are said to be possible with options.

Currency options, which enable securement of rights to buy and sell currencies at different levels, is an appropriate tool for exporting companies, depending on the market. However, there are risks also.

In April, Fujitsu bought \$100 million worth of "rights to sell dollars at \$1 = 107 yen (knockout options) under the condition that the contract is nullified if the dollar exceeds \$1 = 97 yen in the yen market by the end of July." About that time, in submitting orders for September, only orders between 101 and 102 yen including costs were possible. After the advanced nations summit conference in July (Naples summit), there was a view that the yen would turn lower with policy cooperation by the nations concerned to stabilize the dollar. Consequently, Sony bought with the idea that "it would be no worse than watching idly even if it resulted in a loss" (Satoru Sugimoto, Financial Department director).

These options disappeared the moment the yen rose to \$1 = 96 yen. The scheduled hedge disappeared suddenly,

and a bitter choice was faced: settle that portion with spot commodities or submit advance orders anew or rearrange the options. A portion was solved by rearranging the knockout options, but the remainder is still under review.

However, a recovery was made at \$1 = 106 yen versus the real rate of \$1 = 102 yen because similar options were protected until June, and it was possible to sell dollars at a more favorable rate than spot commodities. It is reported that, with more than 10 different kinds of options arranged, an average \$1 = 103 yen rate can be secured in the first half if the rate of \$1 = 98 yen continues.

Costs of Use Pose a Problem

Although derivatives provide an attractive risk hedge, the option fees and costs of use cannot be ignored. When export companies such as Fujitsu use currency options, the "zero-cost type" is generally used. The payment and receipt of option fees are offset by combining the dollar put-options to buy with the dollar call-options to sell. However, the Bank of Japan expresses concern about being preoccupied with zero costs and selling dollar call-options in excess of real demand in the form of actual export volume. The reason is that hedges disappear the moment real demand is exceeded, and it becomes a speculative position.

The view of Masakazu Yamamoto, assistant director of Fuji Bank International Exchange Fund Department, is as follows: "The options hedge is inherently an insurance with options fees paid. There is less risk in buying rights to sell dollars as a single commodity than to aim at zero costs, and it has more mobility."

While high-level and complex derivatives are becoming popular, many export companies are hesitant to use them. The Clarion Company says: "We do not use derivatives which not only carry risks, but also option fees" (Masao Sakuragi, director of Finance Department, Control Headquarters). TDK's view is that "there is more waste in hiring a staff to handle options that are difficult to understand" (Sadao Iwatani, managing dir).

TDK's policy is to submit advance orders for futures with a 50-percent cap on exports. However, it "did not foresee the \$1 = 100 yen breakthrough" and intends to watch the situation for the time being. Meanwhile, it is building a balanced system which does not require complicated hedges, such as raising its overseas production ratio up to 50 percent by the March 1997 quarter and putting more than half of its exports on a yen basis.

As the result of trial and error, companies like Hitachi submit a special amount of foreign exchange orders each day. It is based on the judgment that it is the most efficient way from a simulation of its past record under the high yen.

Gaps in Postures

There are companies that emphasize the minus aspects, and there are companies that aggressively encourage

"the efficient use of hedges even by the management sector—not by copying others but by studying high technology" (Yoshi Sekizawa, president). The differences in postures in grappling with derivatives have become pronounced. How these differences reflect on future corporate earnings will determine the rise or fall of derivatives.

[4 Aug 94 p 1]

[FBIS Translated Text] Groping for New 'Financial Technology': Choices Cannot Be Ignored

On the afternoon of 20 July [1994], the large hall of the new main office building of the Long-Term Credit Bank of Japan ["Chogin"] was filled with people. The finance officers from 250 companies were gathered to hear a lecture entitled "Corporate ALM and Swaps/Derivatives." The Chogin had called on its client firms to participate, but "companies that had no dealings also saw the newspaper ads and asked to be allowed to participate" (Finance Commodities Development Department).

Whether a company uses derivatives or not "depends on the understanding of derivatives by the finance officer, regardless of the type or scale of the company" (Yasuo Fujioka, managing director of Bankers Trust Bank, Tokyo branch). As successful cases of derivatives trading attract increasing attention, many finance officers no longer ignore them.

Savings Through Swaps

In the spring of 1992, Minori Yokochi, director of the Fund Division in Toshiba's Finance Department, spent days on end reading the charts on long and short-term interest rates in Japan and the United States. The reason was that the company had set up a plan to return its project earnings to the yen over a 10 year period in the future. How could the company protect several hundred million dollars worth of funds, which it will receive in stages beginning in 1997, from market fluctuation? The company found that, by repeating transactions with derivatives to avoid risks, it could ultimately obtain fixed interest-rate revenues instead of paying costs. Let us follow its course of action.

First, in order to avoid losses because of the high yen, in the spring of 1992 it changed its debts from dollar denomination to yen denomination through currency swaps, paid dollar variable rates and began to receive yen variable interest (see A in the table below). Most companies would think this far, but Toshiba went a step further. If the dollar interest rates rise in the future, the burden of paying interest will become heavier. Therefore, it decided to eliminate the interest-rate risk.

In the spring of 1993 when signs began to indicate a rise in dollar interest rates, Toshiba paid yen variable rates, made swap (B) trades to receive dollar variable rates and offset the swaps it began in 1992. In addition, it paid yen variable rates and contracted swaps (C) to receive yen fixed rates (about 4 percent).

In the spring of 1994 when yen interest rates dropped lower, it received yen variable rates and offset the receipt/payment of variable interest rates through swap trading (D) that paid fixed rates (about 3 percent). It thus saved about 3 percent in interest and will receive about 4 percent in interest until 1997 when its recovery of dollar-denominated obligations begins. In other words, it was able to secure about 1 percent in fixed interest revenue.

After 1992, the yen interest rates began to drop while the dollar interest rates rose. Therefore, had the currency swaps been neglected, the interest costs would have exceeded 10 billion yen. The swaps from (B) to (D) had saved the costs.

Swap Trading Implemented by Toshiba

A	B	C	D
Five year currency swap = 1992	four year currency swaps = 1992	four year yen/yen swaps = 1993	three year yen/yen swaps = 1994
Paid: Dollar variable interest rates	paid: yen variable interest rates	paid: yen variable interest rates	paid: yen fixed interest rates (about 3 percent)
Received: yen variable interest rates	received: dollar variable interest rates	received: yen variable interest rates	received: yen variable interest rates

Operation at an Average 3.6 Percent

The reserve fund operation by the Aoyama Shoji Co. (main office: Fukuyama City), which became known for its discount suits, changed suddenly last year. The turning point was the transfer of Osamu Takei, Accounting Department chief, from the U.S. securities firm Merrill Lynch. The company switched its operation policy and sought better earnings by not only expanding its bond investment and time deposit operation, but also by using derivatives.

Director Takei says: "We are using derivatives to increase options for our operations." Last fiscal year, the company bought 98 billion yen worth of dollar bonds including two-year and three-year Central and South American government bonds and changed them to yen-denomination through currency swaps. Because two-year and three-year yen bonds are issued in small quantities, supply and demand becomes tight. For example, even with Mexican government bonds, yields are higher for dollar-denominated bonds than yen-denominated bonds. Therefore, if dollar bonds are purchased and changed to yen denomination, not only can foreign exchange risks be avoided, but also yields higher than yen denomination can be received" (Director Takei).

In June 1994, it signed a three-year bank deposit contract worth 15 billion yen to secure operating earnings even if time-deposit interest rates drop. The trading pays 3.5 percent in fixed interest rates while paying variable interest rates linked to time deposits. Whereas the bank

has the right to cancel if the variable interest rates fall more than a given range, the interest rates received by Aoyama are set higher than the market rates. Paid interest increases when the rates rise, but there is no problem of backspread because it is offset by the interest received from the time deposits.

With such schemes under a three-year plan, the company is managing about 170 billion yen in reserve funds at an average 3.6-percent rate which is higher than the market interest rate.

Necessary Tool for Trading Companies

In the case of major trading companies, derivatives have become a necessary tool like a gear between operation and procurement. Executive Director Shinkei Tajiri of Nichimen Co., Ltd. reveals that "the balance of derivatives used in the ALM expands every year, and the hypothetical principal base is now 400 billion yen."

The trading companies are now focusing on the FRA [Forward Receipt Account]—trading in which interest to be received six months later is subscribed in advance. Shinya Tsumori, director of Marubeni Corporation's Finance Department, says: "If the Japanese banks start FRA in October, we would like to use it in our fund operation." For example, let us assume that Marubeni seeks funds procured with a margin profit using three-month CP [commercial paper] to buy bonds paying interest every six months. If the procurement interest rate for CP issued three months later goes up because of market fluctuation, the operating earnings will be reduced. Therefore, if the FRA is used to order CP interest rates issued continually during bond purchases, the operating earnings can be secured.

Many companies are cautious concerning the operating risks of derivatives. However, because of the progress of interest-rate liberalization, the value of assets owned by the companies are buffeted by severe circumstances, and "the risk of doing nothing" also cannot be ignored. An increasing number of companies are attempting to use derivatives as a life jacket for assets control and operation while keeping an eye on risk control.

[5 Aug 94 p 1]

[FBIS Translated Text] Coexisting With Derivatives: Indispensable Buildup of Management System

"We have to establish a policy study conference and strengthen the check functions. We hope to be thorough in setting a definite principal for our fund operation." Tsuneo Shiromori, vice president of Isetan Department Stores speaks thus with an air of deep chagrin. Because of a financial fiasco by its financial subsidiary, Isetan International Finance [IIF], Isetan faced a special loss of 9.6 billion yen in the March 1994 quarter.

Directly Hit by Exchange Fluctuation

What sparked the failure was the crumbling EMS [European Monetary System] after the fall of 1992. With currency stability within the framework of the fluctuation range as the premise, it was making margin profits through currency swaps by exchanging the high-interest Italian lira and the British pound with the low-interest German mark but was caught with hidden losses due to the plunge of the lira and the pound. The intrinsic factor for the fiasco was poor risk management. The rules set by the executive committee such as "to limit operation to a definite principal" and "to decide operating methods based on consultation with the related sections" were not observed.

"Can you do something about the 'koala' case?" A certain CPA [certified public accountant] reveals that he received inquiries from a plural number of companies. The 'koala' is a type of swap coupon. The nickname was given to an exchange of interest rates between the yen and the Australian dollar. According to related sources, the Sanwa Bank and some city banks aggressively engaged in the trade in the last half of the 1980's with the market scale reaching several trillion yen on a hypothetical principal base.

The secret is to lessen the interest burden of borrowed funds by paying yen interest without incurring exchange risks on the principal and receiving Australian dollars with higher interest rates. However, the received interest was reduced due to the growth of the high yen. Moreover, the companies that subscribed under such designs as the "triple-type" and the "tenfold-type," using leveraged principal, suffered heavier injury.

An officer of a major securities company sighs with a self-deprecating remark that "unlike us, if it is proposed by a bank, the company tends to interpret the risks as minor." Although the use of derivatives has spread among the mainstay companies, it remains doubtful whether they understand the contents including the risks.

Nobuhiro Ito, managing director and chief of the Sanwa Bank's Fund and Exchange Department, recently ordered his department to "look into the risks for our clients." The reason is that there have been frequent cases where "unexpected incidents have happened unknowingly" (Chief Ito) regarding derivatives. The bank evaluated profit-and-loss (at current value) from derivatives among 5,000 of its principal clients and set up a system to obtain data using personal computers. Beginning in July, it began hearings with the clients regarding a reporting system on trading situations and the management staff. "It is the responsibility of the main bank to manage overall risks for its clients" (Ito).

Recent Cases of Companies With Losses From Derivatives Trading

Company Name	Principal Tool With Loss	Loss Amount
Showa Shell Sekiyu	subscription for foreign exchange futures	166.3 billion yen
Kashima Oil Co.	subscription for foreign exchange futures	152.5 billion yen
Nippon Steel Chemical Co.	subscription for foreign exchange futures	14.1 billion yen
Isetan International Finance (Dutch) Co.	currency swaps subscription for foreign exchange futures	7.6 billion yen
TOKAI	subscription for foreign exchange futures	3.8 billion yen
Shin Kobe Electric Machinery Co., Ltd.	subscription for foreign exchange futures	2.0 billion yen
Proctor & Gamble Co. (the United States)	interest rate swaps	\$157 million
Air Products and Chemicals (the United States)	interest rate waps	\$74 million
Glaxo (British)	mortgage securities/collateralized debt certificates	About 100 million pounds

Note: Kashima Oil's losses include subsidiary losses.

Utilizing Bank Expertise

A movement is spreading among such Japanese banks as the Long-Term Credit Bank of Japan, Mitsubishi Bank, Bank of Tokyo, and Tokai Bank to utilize the risk management know-how of the banks on corporate trading. Tokyo and Mitsubishi have inducted advanced risk-control methods to figure out "values-at-risks," which are maximum losses calculated from data during a given period. Based on them, if the risks are judged to be excessive, they recommend suspension of trading and ask for additional collateral.

In the United States where corporate derivatives trading is advanced, there are also continuing cases where calculation of losses is compulsory. However, Mobil Oil, a major oil company and a prominent derivatives player, has set up a precision risk-control system to analyze in detail the impact of market fluctuation on the interest payment burden.

Once the contract is signed, always comprehend the amount of loss that will be incurred in the worst hypothetical situation possible. Also, exercise the surveillance function two-fold or even three-fold by the risk control group in the finance sector, including daily analysis of the impact of market fluctuation. "Play every hand to avoid risks." Vesty Glazer [as transliterated], manager of the finance sector, throws out his chest as he speaks.

In Japan also, companies that are matured in the use of derivatives make rules and implement them.

At Mitsui OSK Lines Ltd., the management committee—consisting of managing directors and above with delegation rights—meets once every six months. It debates interest rates and exchange standards/directions and firms up the large framework of hedge policy. Because the ocean transport firm receives shipping fees in dollar denomination, earnings decline during a high yen. The business, which serves as a window for shippers, hedges according to policy, and it is checked by the Financial Department. Seijiro Nakamura, managing director and chief of the Accounting Department, says: "The sectors with the worst records do not hedge and tend to gamble on the market."

There are numerous cases where intended hedges are unknowingly transformed into speculation and result in unexpected risks. If the purpose for using derivatives is ambiguous, even the cost of hedges which are equivalent to insurance premiums could become a problem later on. Japan Air Lines allocated one-third of its scheduled dollar payments toward long-term exchange orders for 11 years from 1986 as a hedge against a weak yen. However, because of the subsequent high yen, it was criticized by the union as potentially increasing payments by nearly 200 billion yen.

Depends on Awareness of Top Management

Kazumi Narusawa, a CPA (Century Audit, Inc) stresses that "companies should clearly indicate in their stocks-and-bonds report the hidden losses according to the purpose in the use of derivatives." His judgment is that, by indicating whether the purpose is a hedge or not, the awareness of the managers concerning the use of derivatives is made clear."

Whether or not the risks—which cannot be automatically controlled concerning interest rates and foreign exchange—are avoided depends on the awareness of the managers. Once it is decided to use derivatives, the top managers must clarify the purpose and maintain strict control. Otherwise, they cannot fulfill their responsibility.

Ozawa Touches Down in Virginia for Meeting

OW0710011994 Tokyo KYODO in English 0055 GMT 7 Oct 94

[FBIS Transcribed Text] Richmond, Virginia, Oct. 6 KYODO—Japanese opposition leader Ichiro Ozawa arrived Thursday [6 October] in Richmond on a week-long journey that will also take him to France.

Ozawa, who is co-founder of Shinseito (Japan Renewal Party), a leading opposition party which bolted from the Liberal Democratic Party and a core force in the major Diet group Kaikaku (Renovation), will make a keynote address at the fourth Japan-U.S. grassroots exchange Saturday. The meeting is to be held in Williamsburg on Friday. He will also fly to Paris via London on Sunday to take a "complete rest" before returning to Japan on Wednesday, an aide said.

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Ozawa, also known as primary strategist of the opposition, drew attention on a visit to the United States in July when he declared he would merge all noncommunist opposition forces into a new party. Most opposition parties and groups, excluding the Japanese Communist Party, have agreed to join the new party being proposed, which is to be established in December on the base of the Kaikaku parliamentary group.

The new party will oppose the current three-party ruling coalition of Prime Minister Tomiichi Murayama's Social Democratic Party [Social Democratic Party of Japan-SDPJ], the LDP and New Party Sakigake.

Ozawa's Close Aide Talks About June Upheaval

942A0638A Tokyo THIS IS YOMIURI in Japanese Sep 94 pp 206-217

[Interview With Sadao Hirano, close aide of Shinseito Secretary General Ichiro Ozawa, by Masahiko Tanaka, chief researcher of YOMIURI SHIMBUN; place, date not given: "Close Aide Talks on Ichiro Ozawa and Political Upheaval in June"]

[FBIS Translated Text] [Masahiko Tanaka] With the political situation in turmoil, a coalition government was formed through the unexpected alliance of the Liberal Democratic Party [LDP], the Social Democratic Party of Japan [SDPJ] and Sakigake [Harbinger Party]. The old coalition government might have continued if the SDPJ had decided to rejoin the coalition. Regardless of who might have headed it, it would have survived, at least until a general election could be held under the system of single-seat constituencies with a proportional representation. That was what most people expected. But with the alliance of LDP, SDPJ, and Sakigake, the old coalition was dealt a crushing defeat. It was especially a defeat, it seems, for Ichiro Ozawa, who is said to have been the mastermind of the old coalition. Today, I'd like to ask your views about the new administration and how you think the political situation is going to develop, including your long-term assessments. First, though, what do you think about the new coalition government?

Democratic Process Reversed

[Hirano] There's a saying, "Defeated generals shouldn't talk of war." There's no saying about defeated soldiers not talking about their generals. Today, there's a lot I would like to talk about as one of those "defeated" soldiers.

From a procedural point of view, there is nothing constitutionally illegal with the way the new coalition government was formed. It is not in violation of any law. The general public sees it as an illicit union. But it's an administration that carries some 300 seats and so has a lot of weight and shoulders a lot of responsibilities.

Politically, you could make an argument against a coalition where the different parties don't agree on policy or share the same ideology. Granted, with the end of the

Cold War, we're in a period of upheaval. But still, we're talking about a coalition whose members have been politically at war with each other all these years. There is also a serious question about the appropriateness of such a coalition if you want to argue the point from the perspective of parliamentary government. The Hosokawa and Hata administrations made certain commitments to the public in last year's general elections. In other words, they were administrations that had gone through the election process. In that sense, I think we can say they were created by the people.

The present coalition government, on the other hand, came about as the result of a power struggle within the Diet. In public opinion polls taken right after the coalition took office, 57 percent of the respondents said they preferred the Kaifu administration. Only 30 percent or so said they approved of the Murayama administration. This reversal of the usual way governments are formed—*after*, not *before*, voters express their will—is a very unusual characteristic of the present administration.

[Tanaka] The LDP and SDPJ had been long-time antagonists under the 1955 system [the political order since 1955, when the Liberal Democratic Party was formed], and so when the two parties joined forces, it has confused a lot of people, including the Japanese voter. There are even people who are calling the present cabinet an "election control government." If you were to characterize this cabinet, how would you christen it?

[Hirano] I've been saying all along that under the 1955 system the two parties, though fiercely at odds with each other in the light of day, would stand around and cooperative with each other when night came. In other words, the 1955 system had essentially already created a LDP-SDPJ coalition government.

[Tanaka] In other words, a "government of collusion"?

Administration Has Sold Its Soul to the Devil in Exchange for Power

[Hirano] The way things were structured, benefits and positions were handed out and distributed in closed discussions among certain groups of people without being debated in the official organ of the Diet. If you want to talk about it in terms of human societies, it was a society of *honne*, [the world of "true" underlying intentions as opposed to publicly professed intentions]. It was a matter of bringing what was transpiring there out into the open. And the ones who led the way were Sakigake [harbinger]. (Laughs)

The people were clearly shown those parts of Japan's political culture that had to be reformed. Both parties had become too attached to power. It was as though the leadership and rightwing of the LDP and leftwing of the SDPJ had each respectively sold their souls to the devil in exchange for power.

[Tanaka] You've expressed the rather unique view that the political world, now as before, is consumed and

moved by grudges. Do you think these grudges are behind these recent political developments?

[Hirano] The same phenomenon occurs the world over. It is not limited to the recent political turmoil here. It is generally true whenever political power changes hands. When there is a changeover from an old system to a new system, it is human psychology that those who are brought down are going to resent those who brought them down. That resentment is an obstacle to carrying out the new system. So, various steps are taken to appease injured feelings.

The same thing happened during the Meiji Restoration. The Tokugawa system was destroyed but, afterwards, places were found in the new order for the old Tokugawa loyalists.

In the current administration, angry spirits are being appeased as a step in the process toward bringing about change. Individuals who would have had cabinet positions under the old LDP are now being given positions in the new cabinet. This will probably be enough for some people. Others won't be so easily pacified.

[Tanaka] Won't those in the old, defeated coalition still harbor grudges?

[Hirano] I don't think there will be that much resentment. If you look at the situation, you'll see that.

Old Coalition Destined To Fail

[Tanaka] It may not be much fun to rehash what's passed, but to return to what you said earlier about defeated soldiers, why do you think the old coalition was defeated in the first place. Didn't anyone guess that the LDP and the SDPJ would form an alliance?

[Hirano] I think the old coalition was destined to fail and it did. When the Hosokawa coalition government collapsed, I think the writing was already there on the wall.

Why did the Hosokawa coalition government collapse? It was because political reform—about 80 percent of it—had been accomplished, and "political reform" was the coalition's great drawing card. The coalition government failed because it had no other drawing card to keep a party as elusive as the SDPJ in line.

The Hosokawa government wasn't able to deliver a new theme to voters. It came up with "economic reform." But unlike political reform, economic reform doesn't have such broad-based voter support, and even within the coalition government, the support level for economic reform varied. I think this was the basic problem.

[Tanaka] Although the SDPJ had neither the ability nor desire to take charge of government, by virtue of its superior numbers, it was central to the old coalition. The situation was unreasonable from the start. But the coalition was bound together by "political reform." Once those ties no longer existed, it was inevitable it would fall apart. That much is understandable.

This time, however, it's the LDP that brings the SDPJ in and takes power. Looked at on the level of a power struggle, we can clearly see it was a defeat for the old coalition. Any political party that is out of office is at a big disadvantage. What's not clear is whether the leaders of the old coalition failed to see the danger or, in order to pave the way for a new age, they thought it would be useless to form a new coalition without first getting a firm policy agreement.

Defeat of SDPJ Reform Group Was the Trigger

[Hirano] One of the problems is that the process here hasn't been clearly explained by the old ruling party.

First of all, there were a number of central figures in the SDPJ who sincerely wanted the party to break out of its old shell, even to the point of being willing to change the party's name in order to create a new Japan, and they have my respect.

For example, they include people like former [SDPJ] Chairman Sadao Yamahana and General Secretary [Wataru] Kubo, who really agonized over the situation they found themselves in at the time. It was because of their resolve that the Hosokawa coalition government was possible and in the span of eight short months—10 if you include the Hata administration—was able to attend to important foreign problems. In this sense, the SDPJ played a definite role in history.

These people were the ones who desperately tried to see to it that the reform coalition continue. Their defeat within the SDPJ was connected to the defeat of the entire coalition.

It was the so-called SDPJ leftwingers that obstructed their efforts. Psychologically and ideologically, these leftists aren't representative of the whole of the party's left wing. Rather, they're the ones who sought positions and personal gain for themselves under the 1955 system and formed a tieup with the LDP. There were many people in the LDP who were very dissatisfied with this arrangement. In terms of numbers, they constituted a relatively small group.

To get back to old ruling coalition's problem—I was having a hard time marshalling the support we needed, and Ichiro Ozawa was forced to become the villain in the piece. The mass media were not only overly critical of him, they were politically used against him.

[Tanaka] Since you bring up his name, there are a few things about him I would like to ask you. He seems to have reflected on his bad relationship with the mass media but, in fact, if you listen to the talk from reporters like me in the field, he has also behaved toward the media in ways that confound us. For example, because of his own convenience, he may not show up for a scheduled press conference. There are a number of times when he hasn't seemed to understand his public role. If that role is pivotal to the coalition and he's in a position to

carry it forward, it seems he should be more aggressive in appealing to the public and seeking its understanding.

Ozawa's methods were one of the major reasons for the political battle that took place recently. Critics claimed that Ozawa bypassed the democratic process, arbitrarily deciding things on his own both within the coalition and Shinseito. His methods not only invited a backlash from the opposition, they were also one of the reasons Sakigake withdrew from the coalition. In the end, even the SDPJ parted company. Ozawa's methods more than a small part of the reason.

From your perspective as one of Ozawa's close advisers, if you have anything to say in his defense....?

Ozawa's Virtual Image, a Political Fabrication

[Hirano] Frankly, those are misinterpretations. The image of Ichiro Ozawa that has been created by the mass media is mostly a political fabrication. The mass media have been politically manipulated and used. Reflecting on this, Ozawa, I think, realizes his reaction to the media hasn't been appropriate.

But it's not right to say his methods are bad, or to talk about a two-tiered power structure in relation to him.

Our parliamentary cabinet system is a two-tiered structure. Democracies are multitiered structures. They are made up of individuals who each in their own way contribute to create good government—the rich contribute their money, the wise their knowledge, and those with influence their influence and power. Some are born politicians. Others don't have the temperament. Some know politics like the back of their hands. Others know hardly anything. Some are good at bringing people together and getting things done. Others are politically inept. There are all kinds. Coalition governments are a collection of diverse individuals working together. They don't all have the same ability. Those who are perceptive and have the ability—their opinions somehow take over and become the views of a lot of other people. Most times, people gravitate toward views of a specific individual. When those views are debated and are firmed up, this is the political process. It is a legitimate process. For people to distort that process and reduce it to a question of methods is really strange.

There are not that many people, even within the ruling coalition, who are familiar with the situation, and yet they're critical of Ozawa's political style. But Sakigake intentionally brought up the question of Ozawa's style. Those in leadership positions in Sakigake have their own political agenda—despite their small numbers, they try to figure out how to stir things up and grab the casting vote. It is the person who is at fault if he or she is taken advantage of by those people, but that is the facts of the situation. Another point is that Ozawa isn't one to twist people's arms in order to get things done. For example, he made major concessions in the policy memorandum that was drafted by the eight coalition parties at the time

the Hosokawa administration was being formed. For example, the concession on the rice problem. Or in fixing the number for single-seat constituency to 250 seats. Or in the case of public aid, lowering the per capita allowance from 500 yen to 300 yen. Ozawa made concessions on all of these points.

It's unfortunate for Japanese politics that Ozawa's political methods have been targeted in the way they have and that anti-Ozawa resentment has resulted in the creation of a new administration. Japan New Party's Yuriko Koike said in an interview that was part of a special issue on the so-called Ozawa debate that there are only about 100 people like Ozawa in Japanese politics. The basic reason is that superior politicians have truly become a rare commodity.

[Tanaka] He is man of few words and that may be part of the reason for his image as someone who proceeds without adequately explaining his actions. That, in turn, has led to interpretations of his style as being strong-armed and autocratic.

[Hirano] I had the chance to meet with Michio Watanabe after the recent political turmoil. He said something very good. Tell Ozawa, he said, "Just give your conclusions. Don't explain yourself. Only pursue what is pure, what is ideal. Government doesn't work that way. Tell him not to act like a leader with integrity. Tell him to be more corrupt." I relayed his exact words to Ozawa.

[Tanaka] In the change over from the Hosokawa administration to the Hata administration, there was a move to support Michio Watanabe. Then, no more was heard of it and, in the end, we saw the Hata administration came on stage. This time, when the Hata administration was on its way out, there was a move—a kind of "Michi card"—to form an all conservative coalition by joining up with an LDP group centered on Michio Watanabe. While that was going on, there was also a call for the SDPJ to return to the old coalition.

Similar things seem to have been happening both times. Some people think the SDPJ may have been put off by this. Was the coalition this time really thinking of using its "Michi card" and seriously thinking about forming an alliance with him? What do you think?

No "Watanabe Card" This Time

[Hirano] From what I know, a proposal—the so-called "Michi card"—was brought to Hosokawa by people from the Watanabe faction right after the political reform act was passed in January. Watanabe's messengers said he felt what the country needed was a stable administration and he was willing to separate himself from party interests and the LDP platform and wanted to cooperate. That's how it all began. So, it's not as though we initiated the matter. This is something I first want to make clear.

Then, Ozawa was called in to consult with Hosokawa and while this was going on, Hosokawa had to resign. It was while they were discussing in what way Watanabe might help that the "Watanabe card" came up. In the end, after they had pondered the question hard and long, nothing ever materialized. It was April, and there was a change of administrations. This, then, is one of the points I wanted to clarify.

There was no move this time to support Watanabe's bid for the premiership. What was similar this time to when the Hata administration was being formed was the need we saw, after reflecting on the eight months of problems we had during the Hosokawa administration, for agreement among coalition members on policy and political ideology at the very least. In a parliamentary form of government, this is a matter of common sense. And this match is what we sought.

This eliminated efforts to align ourselves with the whole of the LDP. For our coalition government to continue, we could come together with those the LDP's who would understand the coalition's position on different matters.

However, we didn't try to limit ourselves to specific individuals. There were people on the LDP side who also understood that, for the sake of the nation, compatibility in terms of political philosophy and policy was a must. It was natural that, for the Hata administration, we would be targeting people in the LDP and the SDPJ who really wanted reform.

[Tanaka] I can understand it when people claim that such a direction is the right way, that such a road makes common sense for a parliamentary form of government. But, then, why did you lose?

[Hirano] Heretics and nonbelievers won out. Those who believed that without power, the LDP would wither away and collapse. People in the SDPJ who encouraged that belief, who weren't thinking about their party but their own self-interests.

Among the smart ones—the SDPJ with good sense—there are some who are saying that the SDPJ actually dissolved itself when it allied itself with the LDP. Recent events are proof that the three-party or three-bloc government idea no longer exists. In other words, what we have are two poles, not three. The SDPJ will either be absorbed by the LDP or it no longer...

[Tanaka] ...exists.

[Hirano] Yes. That's my view.

[Tanaka] If we look for an analogy to the present political situation in sports, I think we will find it in soccer rather than a game like baseball. In other words, players are on the offensive one minute and on the defensive the next minute. The same in politics. The situation is in constant flux. You think you're on the offensive and then, before you know it, you're on the defensive. Or you're on the defensive and then you change to an offensive position.

In that sense, the coalition may think it is on the offensive but, pressed to make concessions to the SDPJ in its policy agreement, it suddenly finds itself on the receiving end of a counterattack.

This time, as the LDP-SDPJ-Sakigake coalition was being formed, the old ruling coalition brought Kaifu on stage. Can you fill us in on how this came about?

It's my impression that, while considering a tieup with Watanabe, members of the ruling coalition were calling on the SDPJ to return to the fold. But, in fact, the LDP and SDPJ seem to have been secretly advancing talks of an alliance. It was then, when the SDPJ had finally been enticed over to the LDP side, that the ruling coalition, finding itself in a difficult bind, resorted to its final trump card—its "Kaifu card."

[Hirano] I think a number of feelers were put out to Kaifu in the course of the old ruling coalition's attempts to stabilize its reform line and build up its strength through the political situation within the LDP and SDPJ. Kaifu responded to these feelers around mid-June. I understand that, through an influential middleman, Kaifu told Ozawa he would not leave the LDP nor participate in the ruling coalition to form a pro-reform group. A small pipeline was kept open, but Ozawa wasn't involved.

[Tanaka] Were those talks carried on by Noda or Tsushima or someone on that level?

Support for Kaifu Day Starts Before Diet Vote

[Hirano] There was often talk about whether we should make a decision about getting former Prime Minister Kaifu back into the limelight or whether we should wait because the situation was still changing.

It wasn't until 27 June, the day before the lower house was scheduled to elect the prime minister, that support for Kaifu really started moving. On the 27th, a leader of the reform alliance and someone who had a lot of influence with Kaifu asked to meet with me, and it was then that I was informed.

[Tanaka] Are you allowed to mention names? Noda? Tsushima? Since articles have already appeared in the papers, I would think it would be all right to mention names.

Ozawa Initially Thought It Was Useless To Approach Kaifu

[Hirano] The politician is Noda. The close associate of Kaifu isn't someone in public office, so I don't think I should specifically point him out.

In any case, both of them appeared to be afraid that political reform would be dead if Kaifu didn't stand [for prime minister]. Listening to them, it occurred to me how worried they were about the possibility of an "illicit union" taking place among the LDP, the SDPJ, and Sakigake.

From what we could judge, [the then ruling coalition] believed they could trust to the SDPJ's good sense [to accept] various stringent demands that had been made in terms of the policy agreement, but from the 28th to the 29th, the winds had shifted toward making concessions. On the 28th, I reported the news to Ozawa of the move to support Kaifu. Apparently, various overtures had been made before to support Kaifu, but Ozawa thought it was useless. However, if there's that kind of movement now, Ozawa advised me, then go give them help, he said.

All through the evening of the 28th, the reform alliance people were apparently working hard on our behalf. Ozawa sounded worried, and called me every hour, checking on our progress. When I explained whatever progress had been made, he would say, "That's no good. You people are too soft." Then, when I would be thinking how cool he seemed to be acting toward the whole affair, I would get another call. "What's happening? How are things going?" he'd ask.

[Tanaka] He couldn't help himself, he was so worried.

[Hirano] Yes. That was his state of mind at the time. Then around midnight of the 28th, I received a call from Noda saying he hadn't been able to persuade Kaifu. Since an LDP-SDPJ-Sakigake alliance seemed to have become a serious possibility, I offered to do what I could.

On the morning of the 29th, I received calls from former SDPJ Chairman Yamahana and political critics who were sympathetic to the reform movement. Talks between the three parties had been concluded, I was told. They wanted us to strike a compromise with the SDPJ on the policy agreement. I then relayed this message to Ozawa. He, too, had decided on compromise.

From 1100 that morning meetings were held between the eight coalition partners and representatives of the SDPJ. There was nothing in the articles of agreement the SDPJ presented that could be considered reform minded. Sakigake had mutilated the SDPJ's original proposal. For example, instead of the "early passage" of a redistricting bill, the new proposal was to "wait for a period when redistricting was adequately understood by everyone." The assumption was that the Diet might be dissolved and a general election might be held under the existing multiseat constituencies system.

The SDPJ also backed down from their April agreement to have tax reform legislation passed within the year, this time saying they would "endeavor to have it passed." To "endeavor" to get something done is jargon in Japanese political circles for *not* trying to get it done. Getting a seat on the UN Security Council, something which wasn't included in the original agreement at all was also put in this time. It was a toned-down version of the policy issue of the Hosokawa coalition government formed last July. The proposals didn't deserve to be called "reform." They would have been a giant step backwards for Japanese Government.

Representatives of the old ruling coalition parties struggled with this problem at their meeting that morning. The items had been thrown at them, and they would have to take them or leave them in their entirety. It seems a lot of them thought they ought to swallow the package whole and keep the ruling party in power. I guess they didn't know that talks had already been settled among the LDP, SDPJ, and Sakigake. Or maybe there were some who knew. I don't know.

Even within Shinseito, there were quite a few people who thought the SDPJ's demands should be swallowed whole. Ozawa and Ichikawa argued that they couldn't be accepted in their entirety, that important issues were involved. The group attempted to debate the issues and iron out its differences.

By noon, it seemed to me that the dominant sentiment was that the SDPJ's demands would have to be swallowed whole. Ozawa thought so too. But he said if that happened he would have to resign from the party. At that point we received news from an influential person in the LDP that it looked like Tsushima and 15 other LDP members were going quit their party, and so I met with Tsushima. We met at noon on the 29th for around 20 or 30 minutes.

Tsushima said that if we didn't get Kaifu to agree, political reform would be dead. According to Tsushima, the LDP leaders who had done the groundwork for the LDP-SDPJ alliance were saying that the new coalition government might not last until the upper house elections the following summer. In any case, an early opportunity [might present itself] to dissolve the Diet and hold a general election.

In other words, members of Tsushima's reform alliance were certain that within the LDP-SDPJ-Sakigake group a secret agreement had been made to dissolve the Diet and hold a general election. If that was the case, he said, it would spell the end of political reform. Somehow Kaifu would be persuaded, he said, asking for our support.

I reported this to Ozawa. In a sense, this was just what the ruling coalition needed. But until the intentions of the person in question were firmed up, we couldn't discuss the matter at our meeting of party representatives. We had to wait. It was 1430 when I was contacted. Ozawa then explained the situation to the coalition party representatives. Around 1500 that afternoon, it was decided that the ruling party would support Kaifu. But people in the SDPJ reform alliance asked for a little more time. They were going to get more supporters from their side. It was sometime before 1700 when the matter was finally decided at a meeting of reform alliance supporters. Kaifu was then approached at 1730. There are two views as to when he decided. I think it was 1430, the time given by Tsushima. Takeo Nishioka says it was 1730. It seems Nishioka also ran over to confirm [Kaifu's decision]. Another theory is that Kaifu really made his decision at 1830 that evening when he held his press conference.

It seems people from various quarters had been trying to get us to team up with Kaifu. We had very little time, but we had held a meeting of party heads, had hammered out a policy agreement, and had miraculously formed a viable alternate to meet the 2000 o'clock time line for the Diet's plenary session (this time line is extremely problematic). The end result was that support for Kaifu had saved parliamentary government on two counts. One was to assure political reform. In other words, to assure that the Diet wouldn't be dissolved and that a general election wouldn't be held under the old multiseat constituencies system.

The second point, though very important, is hardly understood at all. Suppose that Kaifu hadn't decided to run and the old ruling party had decided to swallow the SDPJ policy platform whole and had agreed to accept Murayama. What would have happened then? Talks had already been concluded among the leaders of the LDP and the SDPJ and Sakigake. We would have had to go along with them. All of the political parties, with the exception of the Communist Party, would have created a Murayama-led government with the SDPJ head at the helm. In other words, we were on the verge of another mass political structure [like the one created by the Imperial Rule Assistance Association back in 1940]. If this had come to pass, what would the world have said about Japan? People would have considered it utter foolishness. This despite our professed similarities in political philosophy.

If we had undertaken such a foolish course of action, Ozawa would probably have left the party. But that wouldn't have made the situation sit any better with the international community. The formation of Murayama's three-party coalition government alone had brought so much criticism from abroad. Such a step would have brought on accusations that Japan was a fascist nation. Kaifu's decision helped us avoid that. I think he saved Japan's parliamentary form of government. I think it wouldn't hurt if these two points were more widely known.

[Tanaka] It's said the policy agreement proposed by the SDPJ represented a major retreat from its agreement last July. Some people feel the LDP and Sakigake intentionally raised the hurdle in order to push Shinseito and Komeito out.

Policy Agreement, Problems Within the SDPJ

[Hirano] Yes, I guess so. In discussions between the SDPJ and the old ruling party after the Hata cabinet resigned, Secretary General Kubo was still trying to return to the coalition. The leftists were already concluding talks with the LDP about an LDP-SDPJ tieup, so the left wing's Diet Affairs chairman, Nosaka, had no intention of negotiating with the old ruling party. The SDPJ had those kinds of internal problems to deal with.

In terms of its contents—for example, in the case of tax system reform—the policy agreement destroys the basic

policy the LDP had put together and built up during its administration. It is a frightening retreat on policy—a game of numbers that ignores questions of fiscal administration, revenue sources, and the future welfare of the Japanese people.

[Tanaka] With regard to the political situation in the future—there has been talk for quite awhile about a bipolar or tri-polar political structure developing if elections are held under the single-seat constituencies with a proportional representation system. Earlier, you said the possibility of a three-bloc structure disappeared with the LDP-SDPJ-Sakigake tieup. What do you think the prospects are in the long run, given recent events?

Formation of New New Party Alliance of Kaifu, Hata, Hosokawa

[Hirano] I think that out of the old ruling party, which was just defeated, a new new party will be formed, represented by three former prime ministers—Kaifu, Hata, and Hosokawa. First of all, it's possible to form a unified parliamentary group, which would be one of the preconditions for a new party.

There is no one among the 220 members of the lower house and the 63 members of the upper house who voted for Kaifu who would completely block such a group in terms of ideology or policy, so it would be a unified, high-voltage force. This means that one of the two polar blocks has been established. That the river is now flowing in this direction, I think, is one of the outcomes of the recent political situation. We are already laying the groundwork and forming an opposition party coordinating committee.

What about the other side? In terms of the relationship between Sakigake and the LDP, I think we will see Sakigake getting absorbed by the LDP. I don't think that will happen between the LDP and the SDPJ. The SDPJ won't be absorbed.

[Tanaka] The SDPJ won't form one of the two political blocks. Nor will it be absorbed by the LDP. Does that mean it will collapse?

[Hirano] Collapse and disintegrate. Like something that dissolves in a chemical reaction. To a certain extent, some of its members may join the group that supported Kaifu. This time, I think, the SDPJ made a fatal choice.

[Tanaka] Some people are even saying it was an act of suicide.

[Hirano] Yes. The LDP also acted suicidally, some people say. But I don't think the LDP will die that easily. On the other hand, it is losing its regional support. Voters who wanted a conservative government and gave their support to the LDP think the party has abandoned them, and they're mad. I think the same chemical reaction will occur among its regional supporters. All across the country, a fair number of its local chapter heads have already resigned.

[Interviewer]—Until now, elections have been pretty straightforward. The LDP beats the SDPJ and maintains its power. If they suddenly join hands on the national level, it is going to be a problem for those on the local level. The new coalition government seems to want to postpone the next election. When do you think the next election will be held and how do you think the current framework will have changed by then?

[Hirano] A crack has already begun to appear between the LDP and SDPJ over the Constitution and national security matters. As for the North Korean problem, I don't think talks will proceed that easily. Some people believe a "November crisis" is coming. From around October I think a fissure will develop in the ruling coalition over its handling of this crisis.

The trade problem has also caused some big waves. I don't think the government has any more hands to play on this one. In other words, by creating its present administration, I think Japan has lost its credibility with the international community. Again, in the earlier policy agreement, there was a lot of disagreement over whether to "steadfastly maintain" the security pact with the United States or to "uphold" it. In a telephone conversation with President Clinton, Murayama has already been made to say he would "steadfastly maintain" it. If it's done skillfully, it's all right. But if changes are made too abruptly, there will be a lot of flak from his subordinates. That's because at its central committee meeting—or its party convention, as it is now called—the SDPJ decided against an LDP-SDPJ alliance.

[Tanaka] The coalition started off with various contradictions, so it won't have an easy time of it, I suppose.

[Hirano] We'll see shortly when the SDPJ hold their general meeting whether Secretary General Kubo will take responsibility or not. He is making a lot of excuses. Since Russia and the United States are on good terms, so why can't the LDP and SDPJ also join hands and work together, he says. But it's Russia, not the former Soviet Union, that the United States is on good terms with. And even if they are on good terms, we shouldn't try to fool people with excuses.

In three or four years, they still won't have worked out their differences. Rather, the only possibility open to them will be to disband.

First Steps Have Been Taken Toward Bipolar Political System

[Tanaka] You started out talking about "defeated soldiers." But somehow I don't get the impression of you as defeated. You seem to be in high spirits. Do you have confidence in the future?

[Hirano] Actually, I didn't want to become a Diet member. But for various reasons I ran in 1992. At the time, some people wanted me to wait. "Wait another three years," they said. "Then it will be easy to get elected." But I thought the next three years would be too

important for the course of Japanese history to wait. Not wanting to go back on my decision, I went ahead and, imposing on my good friends for their help and support, was elected to the Diet. My ultimate goal was to create the political framework for the healthy exchange of power. My apologies to the old ruling coalition, but what I'd like somehow to do is create a sound, healthy political system that will have international currency. I'm not doing it for personal gain or power. Of course, I'm not totally unconcerned with winning or losing or being in power or out of power, but those are secondary to this essential problem.

We lost this time, but I think we have at least succeeded in building part of the framework for a political system that allows the reins of government to change hands between two different ideological poles. In the sense that the river is now flowing in that direction, I have no regrets. There is a disadvantage to the kind of tension that comes from a coalition government like the Hosokawa administration. In order to create a healthy, fair competitive relationship, it was necessary to take a step back. I understand that, too, as being Heaven's will.

Sadao Hirano. Shinseito upper house Diet member. Born in Kochi Prefecture in 1935. Completed graduate studies at Hosei University. Entered the lower house Executive Office, serving as private secretary to former Chief Secretary Shigesaburo Maeo and as head of the General Affairs Department, vice chairman and chairman of the Executive Office standing committee. Ran for a seat in the lower house (from Kochi Prefecture) in 1992. Currently serving his first term.

Murayama 'Reluctant' To Give Vote to Non-Japanese

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7 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Prime Minister Tomiichi Murayama expressed reluctance Friday [7 October] to grant suffrage to some 1.3 million non-Japanese residents of Japan.

"It is difficult to give suffrage to foreign residents of Japan as it amounts to allowing them to engage in activities to elect public officials who would exert public authority" over Japanese citizens, the premier said.

Murayama made the remark in reply to a parliamentary interpellation from Shinji Aoki, a member of the premier's Social Democratic Party (SDP) [Social Democratic Party of Japan-SDPJ], at a House of Councillors plenary session.

His remark came two days after a court in Fukui Prefecture rejected a plea from four Korean residents seeking the right to vote in local elections, on top of two earlier similar rulings by an Osaka court.

The issue of claims for suffrage by non-Japanese residents has surfaced in recent years. More than half of the 1.32 million non-Japanese residents are permanent Korean residents.

Meanwhile, Murayama remained noncommittal on a call from Aoki for a law to give greater government allowances to the Ainu ethnic group in Hokkaido.

"Although the government has paid serious consideration to the legislation issue, we would like to listen to requests of Ainu people and enhance assistance measures further" rather than enacting such a law, he said.

The premier rejected allegations by Jiro Oikawa, an opposition Komeito legislator, that the SDP deceived Japanese voters by abruptly scrapping its decades-old policy of not recognizing the Self-Defense Forces (SDF) and seeking annulment of the Japan-U.S. Security Treaty.

After Murayama swept to power in June by forming a coalition with the Liberal Democratic Party, the SDP's traditional ideological foe, the SDP announced the scrapping of many of its tenets, including its opposition to the security pact and the refusal to recognize the SDF's constitutionality.

Murayama also renewed his vow to tackle the issue of adopting compensatory policies to make amends for Japan's wartime atrocities, including the issue of Asian female survivors of wartime forced prostitution in brothels for the Japanese Imperial Army.

SDPJ Kubo's Party Blueprint 'Causes Stir'

OW0610131194 Tokyo SANKEI SHIMBUN in Japanese 4 Oct 94 Morning Edition p 2

[Unattributed article: "Presumptuous Proposal Causes Stir Within the SDPJ"]

[FBIS Translated Text] A blueprint for the "formation of a democratic and liberal party," that Wataru Kubo, secretary general of the ruling Social Democratic Party of Japan [SDPJ], advocated on 3 October on his arrival in Sapporo, is stirring up the New Democracy Association [Shinminshurengo] (led by former SDPJ Chairman Sadao Yamahana), which has already announced plans to form a new party, and the opposition parties that are planning to form a new party. A centrist-rightist faction in the SDPJ formed the New Democracy Association. Meanwhile, the SDPJ's leftist faction, which is shoring up Prime Minister Murayama, is also reacting against the blueprint.

A senior SDPJ member, close to Prime Minister Murayama, showed a posture of taking issue with the blueprint on 3 October, saying: Kubo's advocacy of the need to rally social democratic and liberal forces itself is in line with the SDPJ platform, but "he failed to make clear the future relationship between the forces and the Murayama government."

On 3 October, Construction Minister Koken Nosaka asked Prime Minister Murayama: "Do you know of the blueprint beforehand?" The prime minister did not hide his displeasure and said: "I did not know of it at all."

The SDPJ's leftist faction is guarding against the blueprint, claiming that it will result in disbanding the SDPJ and weakening the foundation of the "coalition government formed by the Liberal Democratic Party [LDP] and the SDPJ." The SDPJ plans to ask Kubo about his true intentions behind advocating the blueprint at a Central Executive Committee session scheduled to be held on 6 October.

Meanwhile, it seems that Kubo has advocated the blueprint, taking into account a backlash from the leftist faction. While spelling out the SDPJ's campaign strategy on 3 October, Kubo indicated his plan to reassess the electoral cooperation between the LDP and the SDPJ, claiming that "sharing the government does not necessarily coincide with electoral cooperation." Kubo intends to make his blueprint a formal SDPJ policy at a "meeting of officials responsible for election campaign" set to be held on 22 October after drumming up support from local chapters for the blueprint. Some members of the SDPJ's centrist-rightist faction have misgivings about Kubo's rush, saying: "It is premature for him to advocate such a blueprint and we cannot understand why he announced it." Voices are heard within the SDPJ that with the upper house elections set to be held next summer, the blueprint would put the SDPJ in discord.

The Democratic Socialist Party [DSP], which Kubo has envisioned as a potential partner for a new party, has already joined the opposition parties in forming a new party. DSP Chairman Yonezawa had no choice but to react coolly to the blueprint at a 2 October news conference and said: "The SDPJ has always lagged two or three weeks behind."

He is believed to have made the statement out of fear that Kubo's advocacy of the blueprint for a new party would put the opposition parties in discord.

SEIKAI Reports on Policy Study Groups

942A0564A Tokyo SEIKAI in Japanese Aug 94 pp 48-53

[Article by Hiroyuki Miyashita, journalist]

[FBIS Translated Text] Since the collapse of the 1955 system of the Liberal Democratic Party [LDP], "factions" and their leaders have receded into the dim shadows. In their place, forums, so-called study groups, have sprung up like bamboo shoots after the rain. As soon as one group is formed, another follows suit. They transcend any one party or faction and, in their apparent disarray, are giving rise to a confusion of speculations. Can the political world and multiparty alliances based on such chaotic groupings really run smoothly?

From the Dissolution of Factions to Policy Groups

The late former Prime Minister Masayoshi Ohira once said, "If two people get together, they can form a faction." While dissolution of factions was advocated

any number of times within the LDP, it has been very difficult to dissolve a faction once it has been formed.

However, lo and behold! Since the Hosokawa coalition government came into being last summer, there have been developments that would once have been unthinkable in the factional community of the LDP. It would have been unimaginable, for example, that the Miyazawa and Mitsuzuka factions would introduce a "membership fee system" and that mainline LDP legislators like Seiichi Ota and Shokei Arai would bolt their faction and form a "policy group" "Shinsei Jimin o Tsukuru Kai" [Forum To Renew LDP].

Of course, such incident that Yohei Kono returned to the party and ran for (and won) the LDP presidency—without being a faction leader or without even showing any remorse for having bolted the party earlier—is an indication that the LDP was already changing. Earlier, this too would have been unimaginable.

Factions still do exist, but they seem to have lost their former influence. One important reason is that the party is now out of power. But that's not the only reason. Nor is it merely a sign of the changing times. The nature and character of the Japanese lawmakers have also changed. Among other things, we must also include the impact of world developments like the end of the Cold War order. System fatigue had also set in after 40 years of the LDP's one-party rule. But the biggest reason would have to be political reform—the election system.

Under Japan's medium-sized, or multiseat, constituency system, more than one candidate from the LDP could be nominated from the same district. Typically, this led to the kind of pattern where several LDP candidates, pitted against each other in the same district, would scramble for the LDP vote. This confrontational relationship was carried into national politics. This was the starting point, in other words, for the birth of factions. In order to be a strong contender in an election, candidates first of all had to attach themselves to a faction and then build up their standing there. This was considered the technique for advancement within "LDP Co., Inc."

Something similar, but with a slightly different nuance, can be seen in the Social Democratic Party of Japan [SDPJ], which has also backed several candidates in the same electoral district. There is no need to go into the particulars of the constant intraparty factional fighting that became even more common within the SDPJ than the LDP.

The so-called 1955 system would never have existed, nor could it have ever been maintained for nearly 40 years without this sort of medium-sized constituency system.

Therefore, if the electoral system changes, so will the political structure. Under the single-seat constituency system, candidates from the same party will no longer be vying against each other for a seat in the same district.

Instead, parties will be vying against other parties. Factions would thus lose their *raison d'être*. At least, there would be no grounds for groups to be formed like the brazenly self-interest-motivated factions that were seen in the LDP.

If nothing else, the birth of the Hosokawa coalition government meant that there was a chance, a very strong chance, that political reform—that is, electoral reform (and the introduction of a single-seat constituency system)—would be carried out. That is why so many people—not only Liberal Democrats but opposition party members too—were saying and doing things that seemed to suggest the end to factions.

According to a leading LDP lawmaker, "Aside from communist and left-wing SDPJ, when you get to the bottom line, there is not that great a difference in policy matters among Diet members. Rather, the criteria for whether they'll join hands depends on the election situation, on personal likes and dislikes, and things like where an individual's personal sympathies and sense of duty lie."

During the summer and autumn of 1993, the political world became host to a lively spate of new political groupings. Transcending the idea of party or faction, their goal was the restructuring of the political world itself.

New groups sprang up one after the other. From among the LDP, groups formed like "Seiji Kaikaku Suishin Giin Renmei" [Parliamentary Alliance To Promote Political Reform] (in addition to Toshiki Kaifu, this group had about 180 members); "Shinsei Jimin o Tsukuru Kai" [Forum To Renew LDP] (Seiichi Ota and about 40 members), "Minshu Seiji Kenkyukai" [Democratic Politics Study Group] (Yoshinobu Shimamura and about 50 members), and "Tokaikaku Suishin Purojekuto" [Project to Promote Party Reform] (Minoru Noda and about 60 members). Among those without any name were a group centered on Seiroku Kajiyama and Koko Sato (17 members) and a study group led by Masayasu Kitagawa which was formed by freshmen to fourth-term Dietmen (about 20 members).

There have also been a number of nonpartisan formations. Besides "Seido Kaikaku Kenkyukai" [System Reform Study Group] (Naoto Kan and about 40 members), "Hikaku Seijiseido Kenkyukai" [Forum on Comparative Study of Political Systems] (Susumu Yanase and about 16 members), and "Ishizue Kai" [Cornerstone Group], (Susumu Yanase and about 16 member) (Ikuo Horigome and about 20 members); we also find groups like "Sogo Keizai Seisaku Kenkyukai" [General Economic Policy Study Group], whose first meeting was attended by 109 nonpartisan Diet members. Called together by Toshio Yamaguchi, a former LDP member who left the party, the group has drawn a lot of attention.

Rush of Policy Groups, Study Groups Formed

Shortly after the LDP's one-party rule ended and the Hosokawa coalition government was formed, the political world fell into a "state of collapse." A rush of so-called study groups then appeared as if to break out of this state and has continued. In the past, though terms like "study group" or "policy group" might have meant something different, in the LDP context, such groups were a way of breaking ground for a new faction in the future. Most often such groups were formed with the implicit understanding that its members would be working to get a certain politician elected as the party's president. That nuance is missing, and we often cannot find that intent in the recent rush to form such groups. Instead, these study and policy groups leave the strong impression they have been formed as mini parties, aiming at restructuring the political world and grouping themselves into a new party later. The following picture emerges if we try to sort roughly through the spate of groups that have been formed.

From the former LDP camp advocating "caution with regard to reform," we have groups like "Sasshin no Kai" [Radical Reform Group] (Taro Nakayama, chairman), which with 175 members boasts the largest following. Though some overlap in members exists, we also find groups like "Gurupu Shinseiki" [New Century Group] (besides Koichi Kato, representative, 64 members); "Ajia Anzen Hosho Kenkyukai [Asia Security Research Forum] (besides Taku Yamasaki, 67 members); "Seito e no koho josei o shincho ni kangeru kai" [Group Prudently Considering Public Contributions and Assistance to Political Parties] (in addition to Seishiro Kondo, about 10 members); "Reimei no Kai" [Daybreak Society] (in addition to Shintaro Ishihara, about 17 members); "Niu Furontia Shinrinen Kenkyukai" [New Frontiers, New Ideas Study Group] (besides Kosuke Ito, 30 members); "Gurupu Shinpu" [New Phase Group] (Minoru Noda, representative, and about 20 members); "Jiminto Shinsedai no Kai" [Liberal Democratic Party New Generation Group] (besides Fukushima Nukaga, about 30 members); and the tentatively named "Shosenkyoku Kuwari Benkyokai" [Single-Seat Electoral Redistricting Study Group] (besides Wataru Hiraizumi, about 60 members).

Within the former "reform camp," we have groups like "Koshikai" [High Ideal Group] (Takeshi Noda, chairman, and 62 members), "Kensan no Kai" [Pursuit of Studies Group] (besides Hiroshi Imazu, about 20 members); and "Nippon !!!" [Japan!!!] (besides Shoichi Nakagawa, representative, about 30 members). Political Parties and Government Research Forum, the parent group of "Japan!!!," was started during his LDP days by Masayasu Kitagawa, who later formed New Party New Future along with Michihiko Kano. Among the nonpartisan groups, which include members of New Party Sakigake [Harbinger] and Jiyuto [Liberal Party], we can also include the "Federarisuto" [Federalists] (besides

Norihiko Akagi, about 20 members) and "Liberaruzu" Liberals (besides Taku Yamamoto and Seiichi Ota, about 30 members).

Then, there are the SDJP. Since last October, when the largest right-wing faction of the SDPJ, the Suiyokai [Wednesday Club], which supports SDPJ Secretary General Wataru Kubo, took a central role in marshalling energies into the Group To Create a New Socialist Party and the upper house "Prevision Group," there has been a flourish of activities to form policy groups, particularly those that are multifactional or nonpartisan in nature.

Sorting through these groups, among the right-wing group, we have Democracy (78 members, including Churoyo Morii, head representative) and AND (Action New Democracy) (besides Ikuo Horigome, about 20 members); among the centrists, Shin no Seiji Kaikaku o Susumeru Kai [Society To Promote True Political Reform] (besides Tsuruo Yamaguchi, about 40 who attended planning meetings); and among the leftists, Taiyo [Sun] (besides Tadatoshi Akiba and

What about the so-called supra-partisan groups?

One "supra-partisan group" that was formed seems numerically to outrank even the "Sogo Keizai Seisaku Kenkyukai" [General Economic Policy Study Group], which was called together last autumn with 159 participants, including alternates, by Toshio Yamaguchi.

This was the "Kaikaku Rengo" [Reform Alliance] (Yuji Tsushima, chairman), which has been endorsed by 306 individuals and, at its first general meeting, was attended by 218 Diet members (including alternates).

It was Tsushima who publically threatened to leave the LDP if it called for a no-confidence vote, and so the group's aim was clear. While calling for the next lower house election to be held under a single-seat constituencies with a proportional representation system, its initial goal was to stop the LDP and SDPJ leaders from calling for a no-confidence vote against the Hata cabinet.

Its first meeting was held on 21 June. Since it is such a new group, it is hard to tell where it will go from here. But as a group of this size advocating electoral reform, its movements will be closely watched.

"New Century" Banner Raised by YKK

It was around this time, in early June, about a month after the Hata cabinet took office, that we see a number of study groups centered on the LDP and SDPJ coming into existence.

Groups that were looking into a possible "post-Hata" tieup between the LDP and SDPJ, and they represented an assortment of people that would have been unthinkable under the "1955 system."

One is a policy forum, whose name hasn't been decided yet. Its first meeting was on 7 [June] with 45 people in attendance. Its principal figures include Shizuka Kamei

(LDP), Yasuo Yamashita (SDPJ) and Satoshi Arai (Parliamentary group Sakigake, Seiun [Blue Cloud], and Minshu no kaze [Winds of Democracy]).

Claiming that "confrontation between the first and second largest parties in the Diet was unproductive," the group appeals to the need for the two parties to cooperate and "switch from confrontation to dialogue."

Kamei and Yamashita are known as close associates of LDP Secretary General Yoshiro Mori and SDPJ Chairman Tomoichi Murayama, respectively. Their role is thus seen as being "the detached unit of their party leadership," according to a well-informed political source. But Arai, a former secretary to Hokkaido Governor. Takahiro Yokomichi, is also close to Sakigake's Masayoshi Takemura, and it might be more appropriate to think of his role as that of sending feelers out with regard to a three-party alliance among the LDP, SDPJ, and Sakigake.

A second group is the "Riberaru Seiken o Tsukuru Kai" [Group To Create a Liberal Administration]. Among the central figures in this group, which has about 60 members, are Katsuhiko Shirakawa (LDP), Hideko Ito (SDPJ), and Hideo Den (Pro-Constitution Liberal Group; upper house group).

Clearly, these members came together as an "anti-Shinseito [anti-Japan Renewal Party], anti-Komeito group rather than to propose a tieup between the LDP and SDPJ. Born of the "Kyoken Seiji o Uruu Kai" [Group Against Coercive Government], it counts among its SDPJ members many who are affiliated with the leftist and pro-Constitution camp.

The third group is the Group to Create the 21st Century. It has 58 members, principal among them, Fukushima Nukaga (LDP), Masanori Goto (SDPJ) and Shoichi Ide (Sakigake, Seiun, Winds of Democracy).

Prominent among its SDPJ members are right-wing and centrist "democrats." Their aim is to develop a new liberalism.

If we look at these three study groups, we see three different types: the policy study forum with Kamei and Yamashita, which was formed by the party leadership; the Group to Create a Liberal Administration, created by leftists; and the Group to Create the 21st Century, created by centrists and rightists. In other words, three pipelines have been opened up by the LDP to the SDPJ camp.

Besides this sudden surge of study and policy groups in the past year, there is one more group to consider, Reform 21 (promoted by Yuriko Koike, Kansei Nakano; about 20 members). Because of the interest of Japan New Party and Democratic Socialist Party members [DSP], this group was formed for the purpose of providing support to the Hata cabinet until passage of the electoral redistricting bill.

The alarm that Group New Century was no different from a faction was raised within the LDP. This group was formed by the "YKK trio"—Taku Yamasaki, Koichi Kato, and Junichiro Koizumi.

Group New Century raised its banner on 16 May and opened its own office on 27 [May 1994], less than a week later.

"Why is it necessary for a study group to have an office?" asked an [Keizo] Obuchi faction leader. "I've never heard of such a thing. its actions aren't any different from those of a faction—calling general meetings, setting up policy committees, criticizing leaderships, etc."

These were the comments on New Century, a group that has often been criticized. It should be noted that a dinner meeting with former Prime Minister Toshiki Kaifu was held just three days after Group New Century was formed.

Once at the vanguard of the "oust Kaifu" move and opposed to introducing single-seat constituencies, the YKK trio was supposedly Kaifu's "bitter enemy."

The meeting was called by the YKK side, and Masahiko Komura and Hiroshi Imazu, both Dietmen who had joined the New Century group, attended.

The YKK side proposed the two camps cooperate. They were on opposite sides in the political reform debate, but it was a difference of opinion on policy, they said, "not a confrontation between individuals." "As long as political reform legislation has been approved," the YKK side said, "we don't intend to put a stop to (single-seat constituencies system)." Though not offering any opposition to their proposal for cooperation, Kaifu did give them warning, saying he would not go along with a no-confidence motion. "There's no guarantee that such a move won't squelch political reform," he said, "and I can't approve." The position taken by Taku Yamasaki was that [this warning] "shouldn't limit the options of the leadership," suggesting to the New Century group, which had been critical of the petition drive to promote reform, that the gulf between the two sides couldn't be closed.

Nevertheless, there has been a temporary "reconciliation" of sorts. What was behind this move on the YKK side? Speculations have been flying, especially within the party.

For example, says one well-informed source:

"A New Century's spokesperson, Kato is said to be the heir apparent of the Miyazawa faction, but he is in an uncomfortable position now that his rival, [Yohei] Kono, has taken the lead. Secretary General Yamasaki is a close friend of Michio Watanabe, who is rumored to be allying himself with [Ichiro] Ozawa. It is hard for Yamasaki to find a place for himself under the current leadership. On the other hand, he and Ozawa have taken similar positions with regard to national security policy.

"With no signs of being appointed successor to the Mitsuzuka faction, Koizumi, New Century's chairman, is also in an uncomfortable position. So he will either probably create a new faction and try to maintain his influence that way or, if that's no good, will probably leave the party. He has reached some kind of understanding with Ozawa and the plans are to join with Watanabe in due course. For the immediate future, he'll be working to oust Kono."

LDP-SDPJ Alliance, as Unrealistic as a Castle in the Air

Koichi Kato was once a "staunch ally" of Ozawa, and though he severed ties with him quite a while ago, it is not entirely impossible that they can mend the rift between them. A point of concern is that Kanezo Muraoka (Obuchi faction), who along with Koshiro Nakamura was a leading member of the YKK meetings, has not participated in Group New Century. Once a close associate of Ozawa, Muraoka is now at the forefront of the anti-Ozawa force. But Muraoka isn't the only one staying away from New Century. Overall, there are very few legislators from the Obuchi faction. They seem to be staying away out of "consideration" for Ozawa.

If a lot of the Obuchi group, which has been so steadfastly critical of Ozawa, were made to join, it would be like serving Ozawa and Shinseito with a written challenge. At this point, it is all a matter of diplomacy and of getting ready to lay the pipeline to Ozawa-Shinseito camp.

Whatever the case, although there seems to have been a number of emotional [as opposed to ideological] clashes in the past, there are no major differences between the YKK and Ozawa-Shinseito camps with regard to policy. For the ruling coalition, the YKK trio seems to be much easier to join hands with than the SDPJ, who are pulling at the heels of government in foreign affairs and national security matters.

Then, will there be an alliance between the two? The possibility fully exists. But realistically, it will probably require much more time. Says a senior LDP Diet member, "By striking a bargain with Kaifu, the Group New Century eliminated Kanezo Muraoka from its list. Clearly, this was the same as signaling Ozawa and Shinseito people that the group was ready to talk.' About the only ones really pushing hard for a tieup between the LDP and SDPJ are the Diet Affairs people, and so what will matter most when it comes time is agreeing on policy."

Very critical of this kind of talk about a LDP-SDPJ alliance has been Taku Yamasaki's boss, Michio Watanabe.

"They are half asleep when they talk like that," he has said. "The best thing is a coalition of conservatives. Generally, whether it's under the existing system or a new one, when elections are held, the SDPJ and LDP will

be fighting each other in every electoral district. An alliance between the LDP and SDPJ is as unrealistic as a castle in the air. How are you going to explain it to your supporters? It's just unreasonable."

Yuji Tsushima, leader of the 306-member nonpartisan Reform Alliance, is also against such a tieup.

The people who are advocating such an alliance, he says, are "only thinking about getting a no-confidence motion passed against the Hata cabinet. They haven't drawn up their blueprint for what happens after they bring Hata down. That's where the danger lies."

He also has sharp words for the so-called liberal study groups which have dotted the landscape like bamboo shoots after the rain.

"Their positions are guided by their sense of fashion. Like everything else, their political statements [are directed to audiences] overseas. Real political restructuring depends on your position on very specific policy issues."

As he points out, various policy and study groups have been formed in the past year, but only a handful of them—or to be more accurate, only a handful of legislators—have really tried seriously to delve into policy matters.

As he says, most legislators are the type "who are moved by fashion." They are the type who form alliances in order to get even with people they don't like, who view as friends anyone who is their "enemy's enemy." They are the type who are only interested in being part of a group they feel comfortable with. Or even more to the point, perhaps, they are the type who make their way into groups eyeing their own self-interests.

Influence of Groups on Political Restructuring

In the recent rush of groups, oftentimes the same Diet member may have joined more than one group and no neat roster of members has been possible. Of course, individuals don't feel the same strong sense of "being attached" to such groups as they do to factions and, with the atmosphere often one of "friendship" more than anything else, it is difficult to get a clear picture of such groups in relation to issues like political restructuring.

Part of the reason is that there have been too few precedents, where apart from factions, study groups have come together to take part in the same political action.

Even though it is only natural that members will scatter and some groups will disband, there are a number of groups where members have come together to take the same political action and look as though they will exert considerable influence on the direction of political restructuring and multiparty alliances in the future.

Some things are difficult to imagine. It is hard to imagine, for example, two groups—the Group to Create the 21st Century and the Group to Create a Liberal

Administration, which is looking into a LDP-SDPJ alliance—ever coming to terms with “Kaishin,” the parliamentary group under which the ruling coalition has unified itself. Nor can we easily imagine Sasshin no Kai or Koshikai ever coming together in their views on political reform.

While the Group New Century is “anti-Ozawa,” there are also the flickerings of an “oust Kono” move in the shadows. But as suggested when Kato made a statement to the press in Fukuoka City at the end of May about “the possibility of a LDP-Shinseito-Komeito alliance,” the light on at least one of YKK’s aims seems to have dimmed.

The division in the SDPJ camp over a tieup with the LDP in the post-Hata era or a return to the ruling coalition is echoed in the division between those opposed and those for a no-confidence motion against the Hata cabinet.

Nor could the LDP have once imagined that this would be a confrontation, not among fellow faction members, but over policy and a clash of ideologies regarding how to finish the job of political reform. In other words, behind the series of study groups and policy groups that have been formed, the theme has been political reform, and it has been something that could not be dealt with simply on the factional level.

Despite its flippant name, “Japan!!! (Cha-cha-cha),” according to Shoichi Nakagawa, appeals to people “not because it’s simply a study group, but because it’s an action group.” In the same sense, we would also have to say this is no longer the age of factions but of these so-called study groups and policy groups.

New 10-Year Public Works Program Approved

*OW0710031494 Tokyo KYODO in English 0252 GMT
7 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Japan launched Friday [7 October] a new 10-year public works program that calls for spending 630 trillion yen on projects from fiscal 1995 to 2004 and gives priority to social infrastructure and welfare facilities, officials said.

The new program, approved by the cabinet of Prime Minister Tomiichi Murayama on Friday, replaces an earlier one that called for spending 430 trillion yen by fiscal 2000. Between 60 and 65 percent of the total funds will be spent for projects related to living environment, welfare and culture, up from about 60 percent in the previous program. The new program, however, fails to make clear calculation bases on its total amount and its revenue sources.

Government officials said the new program, based on a draft by the Economic Planning Agency, is designed to respond to the aging of Japan’s population. It aims to push up the spread rate of sewerage to 90 percent or more and is expected to triple the area of tree planting in

cities. It also calls for financing construction of 1.6 million houses in the center of large cities.

The program asks for optical fiber network development and building led by the private sector. Also included in the program is upgrading of welfare and medical facilities. It also aims to introduce a new waste disposal system, in which resources and energy will be efficiently recycled, and it notes the need to invest more in facilities of universities and state-run research bodies.

The Japanese Government hopes to use the program to stress to the United States and other nations Japan’s efforts to boost domestic demand, analysts said.

No Tax Hike To Fund Program

*OW0710030494 Tokyo KYODO in English 0244 GMT
7 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Finance Minister Masayoshi Takemura ruled out Friday [7 October] a further hike in the consumption tax to finance a new 10-year public works plan.

A further tax hike “is not directly a precondition” for the new plan, Takemura told reporters after a morning cabinet meeting, which endorsed the new 630 trillion yen public works plan starting fiscal 1995.

In a tax reform policy adopted Sept. 22, the cabinet of Prime Minister Tomiichi Murayama decided to boost the current 3 percent consumption tax to 5 percent in April 1997, together with a multiyear 5.5 trillion yen cut in national income and resident taxes. The new public works plan replaces a 10-year plan worth 430 trillion yen that started in fiscal 1991.

Takemura noted that it will be financed by tax, government bonds, fiscal investment and private funds. The 630 trillion yen target “is not easy but we want to attain it,” Takemura said, acknowledging that an average 5 percent yearly growth in public works outlays is necessary.

Asked about interest rates, Takemura said market rates tend to rise when economic activities improve, and Japan’s market rates are in fact on a “slight upward trend.” “We are continuing to watch closely” to avoid adverse effects on the improving economy, he said, adding that the government “judge appropriately” particularly in issuing bonds. He noted that the Bank of Japan “seems not to be thinking of changing the official discount rate.”

Komura on Financing Program

*OW0710040994 Tokyo KYODO in English 0348 GMT
7 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Economic Planning Agency [EPA] Director General Masahiko Komura said Friday [7 October] that the

government should not depend much on bonds as a financing resource for a new 10-year public works spending program.

Speaking at a press conference held after a cabinet meeting, Komura said that both taxes and government bonds would be used to finance the 630 trillion yen program, though it is still difficult to make clear financing resources in detail.

But he said, "we will not depend much on government bonds as financing resources so we don't carry over the fund repayment burden to the next generation." He also showed hope that foreign countries would give high marks to the new public works spending program, which was approved Friday by the government.

Takemura Confident Farm Policy at 'Turning Point'

OW0510110494 Tokyo KYODO in English 1001 GMT 5 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 5 KYODO—The government should keep a tight and effective hold on the purse strings in implementing its planned measures to help farmers, Finance Minister Masayoshi Takemura said Wednesday [5 October].

"We shouldn't simply spend on anything in any old area," Takemura told reporters, brushing aside reports that the ruling parties are planning to lavish money on farmers to win votes.

"Current fiscal conditions will not allow us to do that," Takemura said in criticizing some politicians who are pressing for greater liberality.

The government adopted an outline to promote rescue measures and a new agriculture policy after Japan's opening of rice and other farm markets under the Uruguay Round multilateral agreement last year.

Based on the outline, a plan for total spending will be decided by the end of this month for implementation in the next fiscal year.

Takemura said Japan's farm policy is at a "turning point" and attention should be fixed on "how to facilitate this" instead of just injecting money.

Tight and effective spending is particularly important now that the government is to launch a tax reform that includes a consumption tax hike, he said.

On the tax reform, Takemura denied the government is planning to implement special measures on food in line with the sales tax hike.

His comments referred to remarks by Prime Minister Tomiichi Murayama in the Diet, suggesting such special treatment.

The ruling parties have decided not to include it in the already-set tax reform package, leaving it for further

discussion, Takemura said. But he said the issue would remain a major part of future discussion.

Bills To Revise Farm Laws Adopted

OW0610103594 Tokyo KYODO in English 0751 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—The farm ministry Thursday [5 October] adopted bills to revise four laws to deal with the liberalization of some farm produce imports with tariff payments under the 1993 Uruguay Round accords, ministry officials said.

The bills are expected to be approved by the cabinet Oct. 14 for presentation to the Diet, the officials said.

One of the bills will allow the government-backed Livestock Industry Promotion Corp. to continue importing 137,000 tons a year of designated dairy produce such as butter and skimmed milk but will liberalize imports of the produce over the specified amount.

Another bill will likewise liberalize imports of cocoons and raw silk yarn, which only the government-backed Japan Raw Silk and Sugar Price Stabilization Agency is authorized to handle.

The ministry is still working on a bill to revise the Food Control Law to deal with the partial opening of Japan's rice market and expects to obtain cabinet approval of it Oct. 21, the officials said.

Tokyo Studying Ways To Use Plutonium as Fuel

OW0110124294 Tokyo KYODO in English 0942 GMT 1 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 1 KYODO—The Japan Atomic Energy Research Institute, a government-affiliated corporation, set up a task force Saturday [1 October] to create new technology that would allow plutonium to be used as fuel for existing nuclear reactors, officials said.

Japan will propose to other countries that they launch an international research program for the technology when the International Atomic Energy Agency (IAEA) holds an expert-level meeting in November, they said.

More than 100 tons of plutonium is expected to be removed from strategic nuclear weapons after dismantling in the United States and the former Soviet Union.

Experts expressed the fear that the plutonium extracted from the weapons may be again used for weapons, but the proposed technology would prevent such nuclear proliferation.

Plutonium used for nuclear arms has a very high grade of purity, containing more than 99 percent of plutonium 239, a fissionable substance.

The institute has developed a method to produce a type of petrified fuel by adding thorium, aluminum and other substances to plutonium, the officials said.

The fuel is stable and indissoluble and it becomes almost impossible to reparate the plutonium, they said.

When burned at nuclear reactors, 85 percent of fissile plutonium is burnt out, and the cinders become petrified and there is no need for vitrification for disposal, they said.

Existing facilities can be used to produce the fuel and burn it, they said.

The institute, which has already concluded basic experiments on the technology, plans to get necessary data through burning 30 grams of plutonium at a reactor over a period of three years beginning next January, they said.

Increased Competition in Power Industry Sought

OW0510042494 Tokyo KYODO in English 0404 GMT
5 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 5 KYODO—International Trade and Industry Minister Ryutaro Hashimoto on Wednesday [5 October] called for the power industry to promote competition and restructuring in response to the era of deregulation, especially freer price-setting.

Meeting over breakfast with leaders of the power industry, Hashimoto said the government is considering overall review of a pricing mechanism for electricity, trade ministry officials said.

The power industry will have to undergo deregulatory measures, such as making it easier for other companies to enter the business, and easing the current stringent standards for security and safety, Hashimoto was quoted as saying.

Kohei Abe, chairman of the Federation of Electric Power Companies, said the power industry is facing "a historical turning point" with deregulation, the officials said. To cope with rising power demand, especially during the summer peak time, more power facilities, including nuclear plants, are needed, said Abe, who is also president of Chubu Electric Power Co.

Reportage Concerning Economic, Financial Status

Highest Foreign Reserves Recorded

OW0310083394 Tokyo KYODO in English 0808 GMT
3 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 3 KYODO—Japan's foreign exchange reserves increased 1.70 billion dollars in September to hit a record high for the seventh month in a row, the Finance Ministry reported Monday [1 October].

The all-time high of 117.54 billion dollars in the reserve balance as of the end of September underscored the continued intervention by the Bank of Japan [BOJ] to stem the yen's rise against the U.S. dollar.

The September rise also represented the 11th consecutive month-to-month increase since November last year, the ministry said.

The foreign reserves consist of convertible foreign currencies, gold and international monetary fund special drawing rights.

A ministry official declined, as usual, to comment on details and reasons for the growth in foreign exchange reserves.

But market experts closely follow fluctuations in foreign reserves as evidence of central bank intervention, and dealers said the BOJ continued to buy billions of dollars in September to stop the yen's rise.

The ministry official said the dollar started the month at 100.25 yen and ended at 98.59 yen in Tokyo dealings, after ranging from 100.29 posted on Sept. 1 to 97.63 yen marked on Sept. 21.

The range of 2.66 yen "was not a range of wild fluctuations," the ministry official said, noting that the market particularly moved on U.S. inflation-related indicators and speculation about the Japan-U.S. "framework" trade talks.

Japan remained the world's largest holder of foreign exchange reserves for the 11th month in a row, amassing 113.7 billion dollars as of the end of July on the latest comparable figures.

Taiwan came second with reserves of 88.5 billion dollars, followed by Germany with 87.9 billion dollars, the United States with 77.6 billion dollars and Singapore with 52.4 billion dollars.

The latest available reserve figures for Taiwan were for May while Singapore's were for June, the official said.

Current Surplus Down

OW0710081394 Tokyo KYODO in English 0645 GMT
7 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Japan's current account surplus fell an unadjusted 15.7 percent in August for the first decline in three months, the Finance Ministry said Friday [7 October].

The unadjusted August surplus in trade, the major component of the current account, fell 4.0 percent on a contract settlement basis to 8.65 billion dollars, with exports up 12.2 percent to 30.39 billion dollars and imports up 20.3 percent to 21.74 billion dollars.

The unadjusted service trade in August posted a 1.57 billion dollar deficit, down 39.0 percent, the ministry said.

Business Leaders on Surplus

OW0410113894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Oct 94 Morning Edition p 7

[FBIS Translated Text] The view is spreading in business circles that Japan should cut its current account surplus by cutting back on its exports because of a growing sense of crisis fueled by the fact that "if Japan simply waits for deregulation to increase its exports, it would be unable to keep in check the yen's appreciation." Shoichiro Toyoda, president of the Federation of Economic Organizations of Japan [Keidanren], is denying the export restraint theory, saying: "Such a theory cannot be good for the world"; and the business circles are still asserting that Japan should reduce its current account surplus by boosting its imports. The situation remains so unpredictable that no one knows for sure when the yen will drastically appreciate unless Japan's current surplus is reduced visibly. There is a possibility that the government will be forced to formulate a macroeconomic policy and the business circles will be pressed to draw up concrete plans to cut Japan's current surplus.

The export restraint theory first emerged in July this year when the yen began appreciating at a double-digit level. The theory was sparked by a proposal by Nippon Steel Corporation Chairman Hiroshi Saito and Kyosera Corporation Chairman Kazuo Inamori that Japan should restrain its exports on a planned basis. They argued against the view held by the Ministry of International Trade and Industry (MITI) that "Japan should reduce its current account surplus not by restraining its exports, but by expanding its imports." They argued against the MITI view after being irritated with the situation where the yen appreciated amid no progress in the reduction of Japan's current surplus.

The export restraint theory has been spreading in Japan since Saito and Inamori made the proposal.

Komatsu President Tetsuya Katada claims: "If Japan leaves its exports unrestrained while stressing the market mechanism's importance, it would be unable to win an understanding from abroad. Japan should cut back on its exports by setting numerical targets for its exports." Ushio Inc. Chairman Jiro Ushio is of the opinion that "Japan should reduce its current account surplus to less than 2 percent of its gross domestic production three years later and if it finds it difficult to do so, it should think of ways to forcibly cut its exports through the enactment of a law to that end with a limited period of enforcement."

Nippon Steel Corporation President Imai asserts: "It is desirable that Japan's current surplus is cut naturally after each firm reduces its deficit exports." While rejecting the expansion of both imports and exports, he is advocating the need for enterprises to voluntarily restrain their exports.

The export restraint theory has been spreading since Hiroshi Saito expounded it when he served as Keidanren

president. Inayama and Saito, both former Keidanren presidents, contended that Japan should restrain its exports. They made the assertion their personal views. A consensus held by Keidanren is that "Japan should aim to defuse Japan-U.S. trade friction without resorting to export restraints." The export restraint theory was suppressed in Keidanren when Gaishi Hiraiwa, a free trade advocate, was its president because Japan's current surplus during the bubble economy era was not a major issue.

So far, the debate on export restraint has been led by heads of steel makers. This time, however, not only heads of steel makers, both those of various companies, are voicing the need for Japan to restrain its exports following a double-digit rise in the yen's value against the dollar. Many other business leaders are reacting against their opinions. Pointing out that a prerequisite for cuts in Japan's current surplus is the expansion of imports and exports, Keidanren President Toyoda claims: "Japan should deal with its current account surplus by increasing both exports and imports." Nissan Motor Company Chairman Yutake Kume asserts: "The Japanese auto industry has voluntarily restrained car exports to the United States, but this is not natural. The export restraint stands in the way of free competition." Yamaguchi, Asahi Chemical Industry Company chairman, claims: "The only way for Japan to reduce its current account surplus is to boldly increase its imports." Many business leaders echo this view.

Contending that unquestionably, the export restraint theory may run counter to the current of free trade, Tokyo University Professor Motohige Ito says: "What I fear is that Japan would be placed in a difficult position from a long-term point of view." Keidanren and the business circles, which are upholding free trade, find it difficult to openly support the export restraint theory. If the yen further appreciates in response to the results of the Japan-U.S. economic framework talks this weekend, there is a possibility that the export restraint theory will gain strength.

3 Percent Growth Needed

OW0610124594 Tokyo KYODO in English 1037 GMT 6 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Keidanren chief Shoichiro Toyoda said Thursday [5 October] the Japanese economy should keep growing at an annual pace of about 3 percent, rather than reconciling itself to slower growth.

"The Japanese economy needs and is able to maintain about 3 percent growth (every year)," Toyoda, chairman of the Federation of Economic Organizations (Keidanren), said in delivering a speech. He dismissed opinions that the economy is doing well if it grows 1-2 percent or even less.

"We have to keep in mind a steadfast growth," he said.

Toyoda stressed the need for further deregulation and other measures to create room for the economy to grow. He also urged further government action on the fiscal and monetary fronts to achieve the government's target of 2.4 percent growth for the current fiscal year ending next March.

Toyoda, chairman of Toyota Motor Corp., also criticized the view held in some corners of the business world that exports should be curbed to bring down the yen to more suitable levels.

"Such a way of thinking is unrealistic and will only shrink trade," he said, while proposing extended tax cuts and further market opening to boost imports and thus rectify the yen's appreciation.

Tax Revenues Improved

*OW0410091194 Tokyo KYODO in English 0741 GMT
4 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 4 KYODO—Japan's tax revenues for August partially underscore improvements in business activities with increases recorded in income from liquor and corporate taxes, the Finance Ministry said Tuesday [4 October].

A ministry official pointed to a 7.4 percent year-on-year rise in liquor tax revenues to 219.82 billion yen as a result of robust sales of beer during the hot summer.

Also citing a rise for the first time in 11 months in corporate tax income, the official told reporters that the downtrend "has hit a bottom" even when considering a special factor of higher tax returns.

Revenues for corporate tax collected in August for May business stood at 777.93 billion yen, up 1.2 percent.

Otherwise, "prospects remain entirely uncertain," the official said, noting that revenues from the consumption tax during the hot summer, income taxes under declaration and corporate taxes by major companies have not yet come in.

It takes several months before collected consumption tax reaches government coffers, and companies are taxed after their book closing.

The minister reported that overall tax revenues in August stood at 4,423.51 billion yen, down 2.3 percent from a year earlier, with the cumulative amount for the current fiscal year coming to 13,611.46 billion yen.

The progress rate of tax revenues came to 25.4 percent of 53,665 billion yen estimated in the fiscal 1994 budget, 1.8 percentage point slower than the rate posted in August last year.

Daiwa: 1.1 Percent Growth

*OW0610104194 Tokyo KYODO in English 0855 GMT
6 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 6 KYODO—Japan's gross domestic product (GDP) is likely to grow

by an inflation-adjusted 1.1 percent in fiscal 1994 to March 1995, and 2.2 percent in the following year, reflecting the economy's slow journey to recovery, a private research institute said Thursday [5 October].

As for currency exchange rates, the U.S. dollar will probably move around 100 yen, according to the Daiwa Institute of Research, a subsidiary of Daiwa Securities Co.

The estimates for the low growth in 1994 and 1995, and for the currency exchange rate, are unchanged from the institute's previous predictions made in July.

An official at the institute said that continuing weak corporate investment will slow the pace of an economic recovery. The economy should be underpinned, however, by public works investment, growing consumer spending, tax reductions and longer overtime hours, he said.

Firms Have Mixed Expectations

*OW0410101994 Tokyo KYODO in English 0839 GMT
4 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 4 KYODO—Smaller firms are split in their expectations for business activities over the coming months, a quasigovernmental financial institution said Tuesday [4 October] in a monthly survey.

Shoko Chukin Bank said its September survey showed "a clear division of the bright and dark sides" in smaller businesses, with nonmanufacturers continuing to see improvements and manufacturers suffering weaker performance.

The survey covered 800 smaller firms and showed that the index of business assessment remained at the 50 level for the third straight month, at 50.1.

The index for 450 nonmanufacturers also stood at the 50 level for the third straight month, at 51.1, but that for 350 manufacturers continued to deteriorate to 48.9 from the previous survey's 49.7.

The index shows the proportion of those answering positively and those replying negatively, with a level above 50 indicating improvements, and below 50 heralding deterioration.

Overall sales in August rose for the first time in 31 months, increasing 1.4 percent from a year before, with a further increase of 1.0 percent projected in September, and of 1.4 percent in October, the respondents said.

Manufacturers said their August sales rose 0.1 percent for the first rise in 31 months, and nonmanufacturers recorded a 2.4 percent rise for the fifth consecutive increase.

Among other surveyed items, sales prices continued to fall in September, leading to further deterioration in profitability.

Production capacity and inventory remained sharply excessive.

Labor conditions improved, with shortages posted among transport machinery, textile and steel makers, while the labor shortage decreased at nonmanufacturers.

Further on Smaller Firms

OW0310140894 Tokyo KYODO in English 1340 GMT 3 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 3 KYODO—Soaring asset values supported the capital spending activities of smaller firms during the “bubble” economy years, a government think tank said Monday [3 October].

This was particularly true in the construction, real estate and wholesale and retail industries, the Economic Research Institute of the Economic Planning Agency said in a report.

The institute said bank lending backed by real estate collateral accounted for 27.2 percent of total bank loans in 1991, up from 21.7 percent in 1986.

Accordingly, the proportion of loans to smaller firms in total lending also rose to 56.0 percent in 1991 from 47.8 percent in 1986.

The figures demonstrate that smaller firms depended on the rising values of their assets to borrow funds for plant and equipment investments, the institute concluded.

It added that behind this trend lay the fact that banks were unable to adequately examine small companies, forcing lenders to seek real estate collateral for their loans.

The institute report, analyzing the effects of the bubble’s collapse on corporate and personal spending, also said the post-bubble deflation of assets discouraged both companies and consumers from spending.

Auto Sales Rising

OW0310053794 Tokyo KYODO in English 0501 GMT 3 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 3 KYODO—Domestic sales of new motor vehicles in September rose for the fourth straight month, up 6.4 percent from the same month the previous year to 471,582, an industry association said Monday [3 October].

The rise follows year-on-year climbs of 12.0 percent in August, 2.4 percent in July, and 1.7 percent in June, the Japan Automobile Dealers’ Association said.

Passenger car sales grew 4.1 percent to 314,802. Of these, sales of cars with an engine capacity of 2001 cc or over fell 6.4 percent to 64,196 and sales of those with less than a 2,000 cc engine capacity rose 7.1 percent to 250,606.

Capital Spending Recovering

OW0310100094 Tokyo KYODO in English 0805 GMT 3 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 3 KYODO—Capital investments in Japan will start a recovery process in the half year beginning in October 1995, a think tank forecast Monday [3 October].

The research institute on the national economy, known for its bullish forecasts, predicted in its medium-term (fiscal 1994-97) forecast that the recovery process will begin in the second half of fiscal 1995.

It also forecast the real-term growth rate of Japan’s gross domestic product (GDP) will recover to the 3 percent level in fiscal 1997.

The institute said consumer and capital spending in the period under review will be boosted by tax cuts and low interest rates in the preceding years.

The institute also predicted the yen’s value against the dollar will surge to about 94 in fiscal 1997, since Japan’s current-account surplus is unlikely to decrease sharply soon.

It also forecast the Bank of Japan will keep its official discount rate unchanged at the present level of 1.75 percent through fiscal 1996.

Factory Construction Sluggish

OW0710142694 Tokyo KYODO in English 1222 GMT 7 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 7 KYODO—Construction of new Japanese factories remained slack in the first half of 1994, reflecting the protracted economic slump, a ministry survey showed Friday [7 October].

In the January-June period, 778 factories were built, down 10.9 percent from a year before, according to the Ministry of International Trade and Industry (MITI), which surveyed factories with at least 1,000 square meters.

The latest figure is about one-third that seen in the second half of 1989, when factory construction peaked during the speculative “bubble” economy.

Compared with the previous six-month period, construction rose a marginal 2.2 percent, scoring the first gain in nine half-year periods.

The increase reflected regrouping of local companies and more building of factory complexes, MITI said.

The 778 deals translate into 905 hectares of land, down 13.5 percent from the preceding period and a 27.3 percent fall from a year earlier, MITI said.

The total of hectares was also one-third the level posted in the second half of 1989.

By industry, 144 of the 778 projects were in food, 118 in metals, 90 in general machines and 57 in electrical machines.

Construction by foreign companies totaled only five cases in the January-June period, unchanged from a year before.

Factories owned by foreign companies now total 327.

North Korea

Defector Describes North Spy Training Program

OW0710111294 Tokyo AERA in Japanese
10 Oct 94 pp 6-9

[Report on an interview with DPRK defector An Myong-chin by AERA editorial staffer Keiji Kobayashi in Seoul in "the middle of September": "Former DPRK Espionage Agent's Testimony: A Strictly Confidential Seoul Replica Exists in Underground Pyongyang"]

[Text] What is the current situation in the Democratic People's Republic of Korea (North Korea)? In Tokyo, fragmentary information flits around, making the whole picture a little blurred. AERA conducted an intensive round of interviews in Seoul in the middle of September with defectors from North Korea.

One of those defectors gave shocking testimony to the effect that "In the mountains of suburban Pyongyang, Hanguk-kwan [ROK replica], modeled after the streets of Seoul with a main road eight kilometers long, is built underground for the purpose of training espionage agents to be sent to South Korea, and 70 South Korean instructors kidnapped from the ROK are conducting training for infiltration into the South." He also pointed to the defects in Japanese maritime patrol efforts and made it clear that espionage boats from the DPRK infiltrate into Japanese waters daily and agents engage in their activities by staying at inns.

These items are exposed by 26-year-old Captain An Myong-chin, who graduated from the six-year Kim Chong-il Politico-Military College, an institute specializing in training espionage agents. Following is a gist of his interview:

[AERA] When and where did you defect?

[An] On 4 September last year (1993) I was ordered to cross the military demarcation line into the South, infiltrate one of the ROK sentry boxes, and discover how it was armed. While performing that operation in an ROK sentry box, I asked to be allowed to defect. This was my very first operational assignment after graduating from the Kim Chong-il Politico-Military College.

[AERA] This is the first time I have heard that the DPRK has a college named after Secretary Kim Chong-il.

[An] It is a six-year college specialized in training spies, not popularly known even in North Korea. I was

admitted to this college in 1987 and trained in assault, sabotage, disturbance, and techniques in hand-to-hand fighting. Included in the curricula is a course named "Environment and Geography," and a ROK replica was built for that course by digging in the mountain beside the school with a main road of eight kilometers long.

[AERA] What kind of facilities does it have?

[An] It is a place where things about the ROK are taught, so Seoul streets are reproduced and such gates as Kwangwha-mun and Namdae-mun are made with large boards. Large buildings are produced in such a way that the first, second, and third stories of buildings stand side by side. Products displayed there range from toothbrushes to soap, all made in the ROK. Chongwa-dae (ROK presidential palace) is an important place, so a model of it has also been made.

Six kinds of ROK newspapers and magazines are available there for you to read, and through ROK-made movies and videotapes, the latest information and developments in the ROK are accessible. There were many ROK TV programs, taped at Haeju using a special antenna to monitor South Korean TV stations.

Seventy of the instructors are from the ROK, all forcibly kidnapped.

Seemingly Japanese Women Are Included as Instructors

[AERA] Did they say so?

[An] Some of them said so, and others were pointed out by my seniors that they had been kidnapped and brought to North Korea. By difference of their treatment, we could easily distinguish those who defected from those who came to the North voluntarily.

[AERA] Are they not permitted to go out of the facilities?

[An] No. They carry on the same living as in the ROK, by eating pulgogi (ROK-style barbecued beef), but they do not have freedom.

[AERA] Were there any Japanese teachers?

[An] My Japanese-language teacher was one of the kidnapped Japanese nationals.

[AERA] Did she acknowledge the fact?

[An] She did not say anything, but she spoke little Korean and all the people around her said she was Japanese.

[AERA] Will you tell me more about her in detail?

[An] Her name in North Korea is Hwang Kum-sil and she came to work from an apartment house in Karinkildong in the Mankyong-dae district of Pyongyang. She was 155 centimeters tall, with permanent-waved hair, a little over 60 years in age, with a flat and large face; she walked with her toes in.

[AERA] If you are taught about the ROK situation in detail, including that the ROK is better off than North Korea, does it not bring negative effects?

[An] The school teaches the real situation in detail such as that the ROK's per capita GNP is over \$7,000 and goods are more abundant in the ROK than the North. After my defection, I have actually lived in Seoul and found few discrepancies from what I learned. Instead, the school conducts "counterevidence education" to the effect that the South has comparatively more poor people and has many unsatisfied people, producing social friction, although the South has more goods than the North. We were taught to make use of this friction to destroy and overthrow the ROK's plundering and classed society.

Kim Hyon-hi (alias Mayumi, who planted a bomb to destroy a Korean Air passenger plane in order to sabotage the Seoul Olympics) received such an educational policy. Because she confessed everything after discovering the ROK's prosperity, a conclusion was reached that it is better to tell everything to those who were to infiltrate into the South. Incidentally, Kim Hyon-hi was educated as a scholarship student for a year at this school as one of the 17th term students. I studied at this school for six years as one of the 25th term students. I do not think that the school had such a large ROK replica when Kim Hyon-hi was there.

Approaching People Were Shot Without Warning

[AERA] Where is the college located?

[An] It is at Shinmi-ri, Yongsong District of Pyongyang, and anybody who approaches within 300 meters of the compound will be shot without warning. The ROK replica was built inside the mountain at the rear of the school.

[AERA] What is a student's life like there?

[An] Upon admittance, students are boarded at the dormitory, and leaving or writing letters to parents is prohibited. The only exception is when students' parents die, they may have three days of home leave 15 days after their deaths. No women are sighted during the schooling.

On the other hand, plenty of food—150 grams of meat and 50 grams of fish daily—is supplied. When good marks are attained during the training, sweets are issued. The only time I experienced a lack of food was during the "survival training" in the mountains that lasted for more than two weeks.

[AERA] Why did you volunteer to become an espionage agent?

[An] I did not apply, I was named by the government. After I studied at the foreign language institute for eight years, I wanted to go to the Kim Il-song University. But suddenly I was ordered to go to the Kim Chong-il Politico-Military College.

[AERA] Agents are said to be trained to infiltrate into the South; is it actually possible?

[An] Among my seniors were such people who had succeeded in going to the South and returning. I reached the ROK sentry box without being detected. It is especially easy to infiltrate by sea, posing as a fisherman.

For your reference, I would say that Japan's maritime defense is absolutely no good. From a liaison base in Chongjin, many agents have gone to Japan, handed narcotics and weapons to pro-DPRK agents and to criminals (seems to have meant gangsters), and kidnapped Japanese nationals. Infiltration into Japan is easier than trying to penetrate into the ROK. You can go there easily, engage in your activities, and stay in inns quite naturally. In many cases, speedboats are remodeled to look like fishing boats for that purpose.

Infiltration Into Japan Easier Than Into ROK

[AERA] You have not gone to Japan, have you?

[An] No, but I have seen boats with their names written in Japanese and outfits worn by Japanese fishermen. According to my seniors, it is easy to go to and come back from Japan, if the boats are fitted with gear suited to catch squid during the squid season and to catch cod during the cod season. Not only from Chongjin, but also from a liaison base in Wonsan, infiltration into Japan is being carried out.

[AERA] After graduation, you were assigned to a liaison base in Sariwon. A liaison base is an overseas espionage base, is it not?

[An] There are about 50 liaison bases in North Korea. Six bases are assigned to those who personally engage in infiltration. The rest of them are supporting organizations that engage in budgeting espionage funds and in collecting reference materials. For example, a new Seoul tourist map is available within several days after its publication.

The Sariwon liaison base, where I was assigned, was a circular facility with a 5-kilometer diameter, with families living outside the facility, employees inside, and 100 espionage agents to be sent to the South in the center. Families are allowed to go out under strict surveillance, but the agents are not permitted to go out.

Sent to Mines After Quarrel Just Before Graduation

[AERA] What was your family environment?

[An] My father had been a corp's chief of staff and was the deputy principal of the Civilian Defense College when I defected to the South. His brothers are leading cadres at the central headquarters of the Korea Workers Party, belonging to the supreme class by the North's classification.

[AERA] In view of the privileged circumstances you enjoyed, why did you defect?

[An] A month before graduation, I sent many members of the garrison to the hospital after quarreling with them. As punishment, I was compelled to go to work at a coal mine for six months with little food to eat. As a result, I was dropped from going to work at the Department of External Intelligence Research (intended for intelligence work in foreign countries except the ROK) and assigned to the Operations Department (for espionage activities against the ROK). Adding on to that dissatisfaction, I came to think that the South is right as I came to know more about the ROK.

[AERA] Because of your defection, do you think that your parents will be subjected to severe punishment?

[An] My parents offered me to the state. The education by the state was responsible for my defection and I do not think my parents are responsible. Because of the meritorious service my father and mother have given to the state, I do not think it will be easy to punish them. Furthermore, my aunt, the wife of my father's younger brother, is Chang Song-taek's younger sister.

Related to Kim Chong-il's Family? He Looks Like a Bank Employee Coming From a Good Family; Testimony Termed "Reliable" by Those Concerned

[AERA] I was a little excited when I first had the opportunity to interview Captain An because I was hearing these stories for the first time in my long career of reporting on Korean affairs. His stories contained many things not publicly known until that time.

Quite a few defectors tend to exaggerate facts and mix stories with lies in order to justify their decision, because they feel a sense of guilt about turning their backs on their mother country and leaving their families and related ones behind. This time, the interviews were conducted with the aim of discovering common features and making public the real situation in North Korea, by asking many people the same questions.

Because An's story was so shocking, I told an official related to the ROK National Security Planning Agency (formerly Korean Central Intelligence Agency) a summary of what Captain An had told me and asked his opinion as a reference to whether it is verifiable. The official said, "There are several aspects which he did not reveal to us. I am now hearing for the first time that there is an ROK replica with an eight-kilometer-long road. The number of ROK teachers we knew about is a little more than 10 persons. Let me check on these."

The following day, he replied on the phone, "We cannot say whether An's story is true or false, because so far he is the only one to defect from the Kim Chong-il Politico-Military College. But other stories he told you have been verified; so his stories can be said to be reliable to a certain degree."

Several days later, I asked Captain An to come to my hotel for another interview.

He was rather small, but muscularly built, indicating that he had undergone rough training, and he looked like a conscientious banker in a smart business suit. A one-centimeter-high callous developed through Taekwondo (traditional hand-to-hand fighting technique on the Korean peninsula that looks like Karate) training he said he had on his right hand when he defected has now become inconspicuous. By appearance, it was unimaginable that he quarreled with more than 10 fellow students just before graduation and sent them all to the hospital.

Born in a family of military cadres, he studied English for eight years at a foreign language institute in Pyongyang, and survived the tough training in the mountains without food supply for more than a month. He had an air of good breeding. He never frowned at my repetitious questions and answered without hesitation. He showed me in a detailed drawing how he had crossed the military demarcation line, infiltrating into the ROK side.

According to An, the "Kim Chong-il Politico-Military College" from which he graduated had started in 1946 as "Kumgang Hagwon," and changed its name to the political college, the Kumgang Politico-Military College, and finally to the present name on 25 January 1992. Sixty to 80 students enroll in a six-year course every year and quite a few students accidentally die during the hard training. This is the only college named after Kim Chong-il, and ordinary North Korean people are not aware of the college.

In the supplementary interview, I asked him to tell me about the "Japanese teacher" in detail and he revealed her name and address. It is almost certain that such a person really exists. But the ROK National Security Planning Agency points to the possibility of her being one of the returnees of DPRK-oriented Korean residents in Japan, so it cannot be determined if she is a Japanese national.

When he voluntarily spoke for my "reference" on Japan, his tone was of amazement at the total defenselessness of the Japanese maritime borders.

He said that the wife of his father's younger brother, his aunt, is a sister of Chang Song-taek, Activity Department director of the "Three Great Revolutionary Teams" led by Secretary Kim Chong-il, and the husband of Kim Kyong-hi, Kim Chong-il's younger sister. He is reputed to be Kim Chong-il's right-hand man and the de facto No. 2 man in North Korea. It is expected that he will be appointed to an important post like the Organization Department director of the Korea Workers Party in the future.

The ROK authorities have not confirmed the An family's relationship with Kim Chong-il's family. If true, it is highly probable that the DPRK side is in agony over how to deal with An's parents.

ROK Foreign Minister's Remarks at UN Viewed
SK0710110894 Pyongyang KCNA in English 1030
GMT 7 Oct 94

[*"Piteous Mumbling of Castaways"—KCNA headline*]

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—South Korean puppet Foreign Minister Han Sung-chu, in his recent "speech" at the United Nations General Assembly, reportedly said South Korea would render a technical and economic "aid" to the North for "its economic development", provided that it implements the safeguards agreement and the North-South joint declaration on denuclearization.

His remarks are a mockery of our powerful independent national economy. They are nothing but the piteous mumbling of the puppets in a poor lot, who are nervous and restless, elbowed out of the trend of the times and left without a partner.

We are simply astonished at such hypocritical words that suddenly rolled off the tongues of the traitors who had pursued an anti-North policy and regarded antagonism against the fellow countrymen in the North as their mode of existence.

Judging from the particular stress laid by Han Sung-chu on what he called "aid", he was foolish enough to think that such an offer would help the puppets boost their sagging image, if only a little, at a time when the talks between the Democratic People's Republic of Korea and the United States were progressing and they were isolated and rejected within and without.

His utterances revealed the whole picture of the poor and despicable solicitation diplomacy of the colonial puppets this year, who had run about like a headless chicken, entreating the U.S. to reduce the speed of the improvement of the DPRK-U.S. relations and, sometimes, complaining of their isolation, dismayed at the progress of the DPRK-U.S. talks, only to suffer a failure each time.

Such being the situation, it is only too clear that though the South Korean rulers with no power and say make complaints outside the conference hall of the DPRK-U.S. talks, they can invite nothing but denunciation and laughter, cold treatment and abandonment.

It is really ridiculous of them in such a miserable lot to talk about "aid."

They are now saddled with debts amounting to tens of billions of dollars, which they cannot clear any time, and are tottering with "a mudfish economy" and "a soap bubble economy," a colonial economy wholly dependent on others. It is obtrusive of them in such a poor lot to offer "aid."

The South Korean rulers, who are unable to mind their own business, must not attempt to save their face with such a phraseology as "aid" which is unbecoming to them, but allow South Korean people to visit the North.

As everyone knows, we have invited representatives of political parties and organizations and figures of various strata of South Korea to the ceremony for the completion of the reconstruction of King Tangun's tomb. But they have not yet come entirely because of the puppets' obstructions.

They have cried for "dialogue" and "unification" not only at home but abroad. So they have no ground to block their visit to the tomb of the father of the nation.

Nevertheless, the puppets are persistently blocking the northern trip of the invited figures. This fully indicates that their talk about "dialogue" and "unification" is a lie and confrontation and division of the nation are what they invariably seek. With the Kim Yong-sam group, the very one responsible for confrontation and division, left alone, our nation cannot live in peace.

The Kim Yong-sam group which has become the target of the overthrow by the nation must be removed as early as possible.

Hanminjon Views Kim Yong-sam's Army Day Remarks

*SK0710054094 Pyongyang KCNA in English 0415
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The spokesman for the South Korean National Democratic Front [SKNDF] (Hanminjon) published a commentary lashing out at the utterances of the traitor Kim Yong-sam about "Liberal Democratic System" in his "address on ROK Army Day" on October 1, the Seoul-based radio Voice of National Salvation reported.

Pointing out that the "Liberal Democratic System" advertised by the traitor Kim Yong-sam is a pronoun of the strong-arm rule and inhuman barbarian rule designed to embellish the anti-national, anti-democratic system which violates and obliterates the national independence and democratic freedom of the people which is dearer than their life, increases social instability and terror with murder and plunder and ruthlessly tramples upon ethics, morality and courtesy, the commentary says:

It must not go unnoticed that the traitor Kim Yong-sam cried for "unification" under the "Liberal Democratic System", totally denying the desire of the Korean people for independent, peaceful reunification.

The rigmarole revealing his intention to realise "unification through absorption" by inducing the North to "reforms" and "opening" is a daydream of a somnambulant.

In the address, the traitor Kim Yong-sam let loose very reckless and malignant remarks which any preceding dictators had dared not utter. This is no more than a piteous scream of a wretch wriggling in a hopeless mire.

Our Hanminjon, together with the patriotic people of all strata in this land, will more daringly fight to overthrow the traitor Kim Yong-sam who has committed the most heinous crimes ever in history and achieve independence, democracy and reunification at any cost.

ROK Yi's Foundation Day Speech Denounced

SK0710131994 Pyongyang Korean Central
Broadcasting Network in Korean 1220 GMT 6 Oct 94

[Commentary by Chong Pong-kil: "Detestable Sophistry"]

[FBIS Translated Text] According to a report, in his speech at a ceremony marking the National Foundation Day of 3 October, South Korean puppet Prime Minister Yi Yong-tok babbled that the North should renounce its attitude of confrontation and antagonism and show changes in its attitude so that reconciliation and cooperation can be achieved, that a national commonwealth should be achieved on the basis of liberal democracy, and the like. This is indeed a detestable sophistry revealing the dirty, real intention of the so-called civilian government's dictators.

By nature, the rascals of the Kim Yong-sam clique are those who have no qualification to talk about reconciliation and cooperation. It is a well-known fact that the ringleader of the confrontation, antagonism, and tension on the Korean peninsula is none other than the South Korean puppets.

This is clearly proven by a series of acts perpetrated by the rascals in recent years alone. Clamoring about suspicion of our nonexistent nuclear development the South Korean puppets not only have been making a commotion by babbling about international cooperation system, sanctions, and the like in a bid to do harm to us, but have also created obstacles to making progress in the DPRK-U.S. talks by clamoring about special inspection and guarantee for the transparency of past nuclear activities. Thus, they are frantically running wild to crush us on the strength of outside forces.

On the other hand, while reinforcing their force of arms on a continuous basis, the South Korean puppets have been staging various types of military exercises against us in the whole area of South Korea and the area along the Military Demarcation Line. Moreover, they have gone so far as to make the provocative, violent remarks that the Team Spirit joint military exercise, a dangerous test nuclear war, will be resumed, beginning next year.

The barbarous Kim Yong-sam group, far from extending condolences to the national incident, perpetrated the imprudent and insolent act of aiming rifles at the fellow countrymen in the North who were in deep sorrow and, thus, extremely irritated our people and upset them. Is it really an act for reconciliation and cooperation? Even a mere child knows well that it is an antinational criminal act of seeking confrontation and antagonism.

Nevertheless, Yi Yong-tok clamored that someone should renounce its attitude of confrontation and antagonism and the like. This is indeed a brazen-faced sophistry. What we cannot overlook is that the rascal talked about a national commonwealth based on the so-called liberal democracy. This is a theory of reunification by

defeating communism which is essentially similar to traitor Kim Yong-sam's talking about reunification under liberal democracy in the ceremony held few days ago to mark the so-called Armed Forces Day.

What on earth is the liberal democracy of South Korea? It is an antinational colonial society which tramples underfoot independence and democracy and perpetrates fascism and plundering. It is also an inhuman society where injustice, irregularities, immorality, and corruption are rampant.

This notwithstanding, they are trying to expand such a corrupt society even to the northern half of the Republic where the most advanced popular mass-centered socialist system is flourishing. This is indeed nonsense.

Because it has such a preposterous delusion the Kim Yong-sam clique has so tenaciously clung to the maneuvers for confrontation, antagonism, and war. Reunification by defeating communism itself presupposes confrontation, antagonism, and war. Talking about reconciliation, cooperation, and change in attitude while seeking reunification by defeating communism is indeed a preposterous trick. That the puppets uttered these remarks nevertheless is nothing but a foolish trick which has proceeded from the dirty attempt to cover their vicious true colors.

If the South Korean puppets continue to advance toward the treacherous road of confrontation and antagonism despite strong protests and condemnation at home and abroad, this will result only in expediting their disgraceful destiny of ruin.

The Kim Yong-sam puppet clique should look straight at reality and should act discreetly.

ROK Reportedly Brings Weapons Into DMZ

SK0710113294 Pyongyang KCNA in English 1102
GMT 7 Oct 94

["Military Provocations in DMZ"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The South Korean puppets on Thursday brought more than 40 bandits of the puppet army armed with machine guns and automatic rifles into the demilitarized zone east of Panmunjom and incited war fever, military sources said.

On the 5th of October, the puppets brought several dozen puppet army bandits armed with heavy weapons into the DMZ south of Chonam-ri, Pyonggang County. Earlier, on the 4th, they brought a 90 mm recoilless gun at a MP [military police] post and posed a grave threat to the safety of soldiers of our People's Army.

The armed bandits illegally led by the puppets into the DMZ from October 1 to 6 totalled more than 2,350 and various types of vehicles 1,100.

This proves that the Kim Yong-sam fascist clique is running along the road of confrontation and war against the desire of the nation for reunification.

ROK's Downplay of Japan's Nuclear Program Noted

*SK0710063494 Pyongyang KCNA in English 0441
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—NODONG SINMUN in a commentary today hits out at the ridiculous remarks of the South Korean "Foreign Ministry" some time ago that "the possibility of Japan's nuclear armament is slim."

The analyst says:

The South Korean puppets' advertisement of the "slimness" of the nuclear armament of Japan is a criminal attempt to defend her nuclear armament and water down its danger.

Experts of many countries around the world consider that Japan could become a nuclear power any moment and express deep concern over it.

In defending Japan's nuclear armament, the South Korean puppets seek to dispel international apprehensions by getting Japan's support for their own nuclear crime with flattery to her and hasten their nuclear armament behind the curtain.

Birds of a feather flock together. The South Korean puppets and the Japanese reactionaries are conniving at each other's crimes and zealously cooperating with each other, both pursuing nuclear armament.

They are trying to dash the hope for a solution to the nuclear issue by obstructing the progress of the DPRK-U.S. talks, and step up their own nuclear armament under the pretext of "nuclear suspicion" against the North. Dismayed at the progress of the DPRK-U.S. talks, they are clinging to the coattails of the Japanese master to attain their sinister purpose.

The harder the South Korean puppets try to gain something by winning the favour of Japan, the clearer they reveal their color as pro-Japanese flunkeyist traitors.

The South Korean puppets must look squarely at the reality and stop doing mean acts.

South Urged To Allow Visitors To See Tomb

*SK0710054594 Pyongyang KCNA in English 0423
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—A spokesman for the Academy of Social Sciences of the Democratic People's Republic of Korea released a statement on Thursday urging the South Korean authorities to allow historians, university professors and other figures to visit Pyongyang.

Recalling that with the tomb of King Tangun, the father of the nation, reconstructed splendidly and the ceremony for its completion scheduled, the North invited historians and university professors of South Korea to the ceremony, the statement says:

South Koreans who want to participate in the ceremony are now kept from visiting the North by the authorities.

The King Tangun's tomb reconstruction committee postponed the date of the ceremony, taking into consideration the ardent desire of compatriots in South Korea and overseas to take part in the ceremony, so that they may participate in it, the auspicious event of the nation, and demonstrate the homogeneity and long history of the nation and provide a new occasion for national unity and reunification.

The South Korean authorities must no more bar historians, university professors and other figures invited by us from visiting Pyongyang.

If they block their participation in the ceremony for the completion of the tomb of the father of the nation, the first of its kind in the 5,000-year long history of the nation, politicizing it, it would be branded as an anti-national act ignoring the nation, the ancestor and history and they would be denounced by the entire nation.

We will wait for South Korean historians and university professors with patience, believing that they will surely participate in the ceremony, the common event of the nation.

SKNDF Releases Statement

*SK0710121694 Pyongyang KCNA in English 1021
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The spokesman for the Central Committee of the South Korean National Democratic Front [SKNDF] (Hanminjon) released a statement on October 4 denouncing the traitor Kim Yong-sam clique for blocking the Pyongyang trip of delegates of South Korean political parties and organisations, who have been invited to the ceremony for the completion of the reconstruction of the tomb of King Tangun, Seoul-based Radio Voice of National Salvation said.

The ceremony associated with respected President Kim Il-song's noblest love for the motherland and the nation is, indeed, a proud auspicious event of the nation that exalts the peculiar honor and pride of our fellow countrymen as a homogeneous nation with the same ancestor and with a 5,000 year-long history, and this will make a significant occasion in the chapter of inter-Korean reconciliation and great unity of the whole nation, the spokesman says, and goes on:

What stance and stand one takes toward the ceremony for the completion of the reconstruction of the tomb of King Tangun will be a yardstick showing whether one wants to correctly establish the 5,000 year-long history

and admits the long history and homogeneity of the nation, or not, whether one wants to turn the phase of clash between the North and the South into a phase of reconciliation and establish a unified state by great national unity, or not.

This is why the North, attaching great national-historic importance to the function of the ceremony, has even postponed its date, showing the magnanimity of waiting for the arrival of delegates and personages from the South.

If the Kim Yong-sam group persistently block the northern trip of invited figures and put down the public sentiments rushing to Pyongyang at the point of the bayonet, it will incur bitterer curses and condemnation from the people at home and abroad and face a stern judgement by the 70 million fellow countrymen.

When compatriots residing in alien lands thousands of miles away are coming to see the tomb of the ancestral father of the nation, there is no reason why the compatriots in Seoul within a calling distance cannot come to Pyongyang.

The trip to Pyongyang, where the ceremony for the completion of the reconstruction of the tomb of King Tangun is to be held, is a trip to get the "National Security Law" scrapped, pull down the barrier of division and lay stepping stones for national reconciliation and great unity.

All the people who have been invited by the North must go quickly to the place of the ceremony through an unlawful route, if a lawful trip is not allowed, and through a third country, if their passage through Panmunjom is not allowed.

ROK Student Visits Art Studio, Other Sites

*SK0710121894 Pyongyang KCNA in English 1045
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—Choe Chong-nam, delegate of the South Korean Federation of General Student Councils (Hanchongnyon) who has come to Pyongyang to participate in the ceremony for the completion of the reconstruction of the tomb of King Tangun visited the Mansudae Art Studio on October 6.

In the hall of the Korean painting production, he saw with deep emotion large-size paintings depicting the struggle of the youth and students in the North, South and overseas for national reunification, among them the Korean painting "Grand International Peace March." and he joined painters in the creation of the Korean painting "Spring of Reunification".

He wrote in the visitor's book that he could confirm the desire of the artists in the northern part of the country for reunification. "Let us struggle as artists to carry national reunification we desire so earnestly into reality from a dream and a painting," he added.

After the inspection, the delegate said the sight of the compatriots in the North who are hardening their determination to achieve national reunification with great strength and courage, not remaining overcome by the sorrow at the death of President Kim Il-song, convinced him that their strength and courage will grow stronger.

After going round Pyongyang metro, Choe said it is not long before the one million fellow students of Hanchongnyon will see the metro.

He also called at the tomb of King Tongmyong on the outskirts of Pyongyang.

At the end of the inspection he said national reunification must be achieved on the basis of noble patriotism, transcending ideology and system.

Second Day of Tangun, Kojoson Symposium Held

*SK0710063094 Pyongyang KCNA in English 0457
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The second scientific symposium on King Tangun and Kojoson (ancient Korea) entered into its second day on Thursday.

Dr. and Assistant Prof. Kang In-suk, a room chief of the Academy of Social Sciences, Dr. and Assistant Prof. Kim Yu-chol, a researcher at Kim Il-song University, and other readers of their papers at the symposium proved with a profound logic the 5,000-year long history of the nation, originality and superiority of national culture, giving scientific answers as regards the year of foundation, the period of existence, the capital and territories, political and economic system and other questions about Tangun's Korea.

They stressed that a wealth of historical materials and the results of studies proved that the Korean nation originated and lived generation after generation in this land and is a proud nation which built the first advanced, civilized state in East Asia.

Basing themselves on the historical sites and relics recently unearthed around Pyongyang, which are precious basic data in studying and systematizing the ancient history of Korea from the stand of chuche, they proved that our ancestors created ancient culture with distinguished wisdom and talent from long ago.

They were unanimous in saying that all those achievements made by our historians in the studies of Kojoson in recent years are entirely a precious fruition of the wise leadership of the great leader President Kim Il-song and the dear leader Comrade Kim Chong-il.

They expressed their determination to deepen the studies of the history of King Tangun and Kojoson on the basis of the already-made achievements, true to the intention of the great leader in his lifetime and the

intention of the dear leader, thus further enriching the history of our nation with new achievements in its studies.

The symposium continues.

Zhirinovskiy's Pyongyang News Conference Detailed

SK0610151994 Pyongyang Korean Central Broadcasting Network in Korean 0800 GMT 6 Oct 94

["News conference" by V.V. Zhirinovskiy, chairman of the Liberal Democratic Party of Russia, with unidentified correspondents in Pyongyang on 5 October; recorded, in Russian with superimposed translation into Korean; translated from the Korean—first paragraph is introduction]

[FBIS Translated Text] Before returning home, V.V. Zhirinovskiy, chairman of the Liberal Democratic Party of Russia who has been visiting our country, held a news conference in Pyongyang on 5 October. Attending the news conference were reporters from news agencies and broadcasting stations. Chairman Zhirinovskiy gave the following answers to questions raised by the reporters.

We have visited the DPRK for the first time. We already know well the heroic past of the Korean people, in particular their struggle against the Japanese occupationists and their struggle against the U.S. occupation of South Korea. We knew much about the successes which the Korean people have achieved in economic construction under the leadership of the Workers' Party of Korea [WPK], and the successes which they have achieved under the wise leadership of the great leader of the Korean people Comrade Kim Il-song and the dear leader Comrade Kim Chong-il.

Through this visit, we had a firsthand look at the fact that your country has wonderfully solved the question of the successor [as heard], that is, the question of the leadership succession, and that various parties [tangdul] are carrying out joint tasks.

We also had a firsthand look at the happy life of your people, as well as the clean streets and very high standard of culture in your country.

We have seen Korean children at the Mangyongdae Palace for Students and Children, on the streets, and at school. The Korean children are the happiest children in the world.

When we visited a statue of Comrade Kim Il-song, we also saw children taking care of the statue, and got a firsthand look at the courageous young soldiers who are reliably defending their fatherland.

Korean youth and children are exerting themselves in their studies and in military service, defending their fatherland in a self-sacrificing way. This serves as the best example which the Korean youth display to all

youth and all children of the world. This shows a high standard of culture which youth and children should emulate.

When we saw the reality of your country, we got a firsthand look at the fact that there are no unemployed, no starving people, and no homeless in your country; all people are guaranteed complete social welfare [tambo]. This is one of the greatest successes which you have achieved, and means you have achieved a great success that no other country in the world has been able to.

We attribute all these successes you have achieved to the wise leadership of the WPK, in particular, to the great leaders [widaehan yongdojadul] [as heard] of your country.

We may as well [toeriranun kotssul] win greater successes in the future by emulating these successes your country has achieved.

At the moment, the United States is weakened on a world-wide scale. These are the last pains [majimak chintong] being suffered by the United States.

The DPRK is the only country still confronted face to face with U.S. troops. In particular, the Korean people are the only ones in the world who have won a great victory while being confronted face to face with the United States, the evil empire. The day will surely come when the United States, the evil empire, will go to ruin and the Korean people will win victory. The century in which the people's freedom is being suppressed will surely come to an end. The day will also come when such unnecessary reforms and so-called revolutions that only give disadvantage to the people will disappear. The day will surely come when people in all countries will carry out their own revolution with their own philosophy, being self-reliant on the basis of their own strength.

Capitalist societies are never happy ones. Capitalist societies are inhumane ones in which people are wrapped in fear, and in which they cannot have hopes for tomorrow.

These are societies in which people have no confidence whatsoever about the future because they worry about their homes, their jobs, their studies, eating and living an everyday life, getting medical treatment, and resting. In particular, these societies are not for all people. They have no future of their own. Therefore, all people in the world are seeking a society that can guarantee politics and an economy that can provide them with a happy life.

The so-called wealth the Western world is said to have created has been acquired through war and through plundering and pillaging of other countries in essence. In view of the Far East alone, Japan occupied many parts of China and the whole of Korea for a long time, and invaded other Asian countries, including the Philippines. As a result of plundering the wealth of those countries, Japan has created the so-called Japanese miracle.

There are many deputies in the Russian State Duma, including myself. It is not by chance that our party's delegation has visited your country, bringing many such deputies along.

Because your country is becoming an oasis in the world desert, our party formed such a large delegation and visited your country.

We are envious of you, and can openly say there are many things we can learn from you. Therefore, I think we should emulate many things from the *chuche* idea as to how we should proceed.

We are firmly convinced the leadership [*chidobu*] of the DPRK will preserve and further develop all these wonderful things that have been constructed, while continuing in the future to guarantee the seasoned, tested, and correct line that the leadership [*chidobu*] has maintained so far, thoroughly guaranteeing continuity in politics. We would like to ask the leadership [*chidobu*] of the DPRK to continue to maintain such a line in the future.

Availing myself of this opportunity, I extend my wholehearted gratitude to the WPK for having ensured the best conditions for the three days of our stay.

During these three days, we have come to know better what kind of country the DPRK is. We are leaving with the best impressions. We will remain the best friends of the DPRK and of the Korean people forever.

Russian Delegation Brings Gift for Kim Chong-il

*SK0510103894 Pyongyang KCNA in English 1016
GMT 5 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—The dear leader of our party and our people Comrade Kim Chong-il received a gift from the delegation of the Russian Liberal Democratic Party led by its Chairman V.V. Zhirinovskiy.

The gift was handed to Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, by Zhirinovskiy.

Zhirinovskiy, Party Delegation Leave 6 Oct

*SK0610140894 Pyongyang KCNA in English 1036
GMT 6 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The delegation of the Russian Liberal Democratic Party headed by chairman V.V. Zhirinovskiy left for home on October 6. It was seen off at the airport by Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, Paek In-chun, vice-chairman of the Supreme People's Assembly of the DPRK, Chi Chae-yong, vice-director of a department of the WPK Central Committee, and Chang In-su, secretary of the Pyongyang municipal party committee.

PRC Liaoning Officials Arrive in Pyongyang

*SK0710055394 Pyongyang KCNA in English 0428
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—A delegation of Liaoning Normal University of China led by Party Secretary Liang Qikun arrived here on Thursday.

The guests were met at Pyongyang Railway Station by Vice-President of the *Chuche* Idea Academy Kim Tok-su.

Kim Yong-nam Meets PRC Ministry Officials

*SK0710054894 Pyongyang KCNA in English 0425
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—Kim Yong-nam, vice-premier and Minister of Foreign Affairs, on Thursday met and conversed with the visiting delegation of the Chinese Foreign Ministry led by Secretary of the Commission of Discipline Inspection Wan Yongxiang.

He also met with the outgoing Gabonese Ambassador to Korea Legnongo Ndumba Benjamin.

Attends Reception for Delegates

*SK0710061294 Pyongyang KCNA in English 0506
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The Ministry of Foreign Affairs gave a reception on Thursday on the lapse of 45 years since diplomatic relations were established between the Democratic People's Republic of Korea and the People's Republic of China.

Invited there were the visiting delegation of the Foreign Ministry of China led by Wan Yongxiang, secretary of the Commission of Discipline Inspection, and Chinese ambassador to Korea Qiao Zonghuai and his embassy officials.

Vice-premier and Foreign Minister Kim Yong-nam and officials concerned were present.

Speaking at the reception, Vice-Minister of Foreign Affairs Pak Myong-ku said: The opening of diplomatic relations between the two countries 45 years ago was a manifestation of the common will and desire of the two peoples to develop bloom through generations the Korea-China friendship which had struck deep roots in the course of the arduous revolutionary struggle. And it was a significant event which put the bilateral relations on a new, higher stage.

"After the establishment of diplomatic relations, the parties, governments and peoples of the two countries have tightened their bonds of friendship and solidarity through vigorous struggles against the common enemy

and for defending the gains of the revolution and accelerating the socialist construction," he said, and continued:

"We have become more deeply convinced, through our practical experience, of the invincibility and vitality of Korea-China friendship provided by the leaders of the two countries. It was what Comrade Kim Il-song, the great leader of our people, intended in his lifetime and is the invariable position of our party to develop this traditional friendship through generations."

He expressed the belief that the traditional Korea-China friendship, which has overcome the trials of history, would continue to develop invariably through the joint efforts of the two peoples.

Speaking next, the head of the Chinese Foreign Ministry delegation, Wan Yongxiang said that it is in the interests of the two peoples and would be a positive contribution to the preservation of peace and stability of Asia and the rest of the world to further deepen the relations between China and Korea. "We are satisfied with the friendly and cooperative relations steadily developing between the two countries," he added.

He said, "we will hold dearer the great Sino-Korean friendship provided and cultivated by the veteran revolutionaries of the two countries and make every possible effort to bring the bilateral relations to a new stage of development under the new situation."

He noted that the Korean people are working hard to accomplish the cause of President Kim Il-song, closely rallied around the Central Committee of the Workers' Party of Korea headed by Comrade Kim Chong-il, turning their sorrow into strength.

"We sincerely wish the fraternal Korean people greater success in their future efforts to build the country better, maintain peace and stability of the Korean peninsula and realize its independent and peaceful reunification," he concluded.

Japanese Company Delegation Leaves Pyongyang

SK0710042594 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 4 Oct 94

[FBIS Translated Text] A delegation of SBB Company, Ltd. of Japan headed by Yoshiyuki Ooe, chairman of the company and director of the Japan-Korea Friendship Data Centre, returned home by plane on 4 October. O Mun-han, vice chairman of the Committee for Cultural Relations With Foreign Countries, saw the delegation off at the airport.

O Chin-u Sends Greetings to Egyptian Commander

SK0510104094 Pyongyang KCNA in English 1023 GMT 5 Oct 94

[FBIS Transcribed Text] Pyongyang, October 5 (KCNA)—Marshal of the Korean People's Army O

Chin-u, minister of the People's Armed Forces, sent a message of greetings to Muhammad Husayn Tantawi, commander-in-chief of the Armed Forces and minister of defense and military production of the Arab Republic of Egypt on the 21st anniversary of the Egyptian Army Day.

Expressing the belief that the traditional relations of friendship and cooperation between the peoples and armies of the two countries would be further consolidated and developed, the message wished the Egyptian minister greater successes in his responsible work for increasing the nation's defense capabilities.

Egyptian Attache Hosts Army Day Reception

SK0710055094 Pyongyang KCNA in English 0427 GMT 7 Oct 94

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—Rafat Yusri Rashad Mihail, military attache of the Egyptian Embassy in Pyongyang, hosted a reception at the Ognyu Restaurant on Thursday on the occasion of the day of the army of the Arab Republic of Egypt.

Invited to the reception were Colonel Gen. Kim Chong-kak, other generals and officers of the Korean People's Army, officials concerned and diplomatic envoys and Military Attaches of different countries to Korea.

Egyptian Ambassador Ali Hegazi was present.

Before speeches were made, the participants observed a silent tribute to the memory of the great leader President Kim Il-song on the motion of the Egyptian military attache.

WPK Sends Greetings to Peruvian Front Leader

SK0710122494 Pyongyang KCNA in English 1100 GMT 7 Oct 94

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] on October 3 sent a message of greetings to Genaro Ledesma Izquieta upon his reelection as chairman of the People's Front of Workers, Peasants and Students of Peru.

Pointing out that his reelection as chairman of the front was an expression of the deep trust and expectation of the entire members of the front in him, the message says:

"Convinced that the friendly and cooperative relations between our party and your front will continue to strengthen and develop in the common struggle for independence against imperialism and for socialism, we take this opportunity of wishing you a big success in your responsible work to implement the decisions of the congress.

Cuban Ambassador Visits Kim Il-song Statue

SK0710054394 Pyongyang KCNA in English 0418 GMT 7 Oct 94

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—Cuban Ambassador to Korea Jose Ramon

Rodriguez Varona and his embassy officials laid bouquets of flowers before the statue of the great leader President Kim Il-song on Mansu Hill and paid a silent tribute to his memory on Thursday on the one hundredth day after his death and on the 49th birthday of the Workers' Party of Korea.

Noting that standing before the statue of the great leader Comrade Kim Il-song, they were feeling very sad, the ambassador said: "It is our obligation to visit the statue and honor his memory."

He said they were greatly encouraged to see the Korean people registering greater achievements in building socialism, turning their sorrow into strength and courage.

"We wholeheartedly wish that the Korean people will make greater success in the revolution and construction under the wise leadership of the dear leader Comrade Kim Chong-il," the ambassador said.

Meanwhile, the participants in the fourth Pyongyang film festival of non-aligned and other developing countries called at the statue again before their going back home. They laid a wreath before it and observed a silent tribute to the memory of President Kim Il-song.

Peruvian Party Leader Receives WPK Delegation

*SK0710042194 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 4 Oct 94*

[FBIS Translated Text] (Fenaro Vedesma Isguieta), chairman of the Peruvian Workers, Peasants, Students, and People's Front, on 30 September received a delegation of the Workers Party of Korea [WPK] led by Sok Chang-sik, a deputy director of the party Central Committee. The head of the delegation conveyed the dear leader Comrade Kim Chong-il's greetings to Chairman Fenaro Vedesma Isguieta. The Chairman expressed his deep gratitude and asked the head of the delegation to convey his warm greetings to the dear leader Comrade Kim Chong-il.

He said that the passing away of the great leader Comrade Kim Il-song is a great loss to all of us and that he had the greatest honor of having met with the respected and beloved leader when he visited the DPRK last year. He said the great leader [widaehan yongdoja] Marshall Kim Chong-il is brilliantly succeeding and consummating the chuche revolutionary cause pioneered by President Kim Il-song. He said that socialism is undeviatingly advancing along its own road in the DPRK because of the dear comrade leader, and stressed that the Peruvian Workers, Peasants, Students, and People's Front is very encouraged by this. He said the Peruvian Workers, Peasants, Students, and People's Front is embodying the great chuche idea in accordance with the situation in Peru.

WPK Sends Greetings to Brazilian Movement

*SK0710122194 Pyongyang KCNA in English 1057
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] sent a message of greetings to the Central Committee of the October 8 Revolutionary Movement of Brazil on October 7 on the occasion of its 25th founding anniversary.

It highly estimated the achievements made by the movement over the last 25 years in the struggle against all manner of domination and subjugation and for the democratic development of the country, defence of the independent rights and interests of the working people and the expansion and strengthening of its ranks.

"Believing that the excellent relations of friendship and cooperation established between our party and your movement will be further strengthened and developed in the common struggle for independence against imperialism and for socialism, we take this opportunity of sincerely wishing your movement greater successes in its future work", the message said.

Guyana's Ramsammy Sends Kim Chong-il Gift

*SK0710052394 Pyongyang KCNA in English 0410
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The dear leader of our party and our people Comrade Kim Chong-il received a floral basket from Leslie Ramsammy, leader of the United Republican Party of Guyana, on the 49th anniversary of the founding of the Workers' Party of Korea.

The leader of the United Republican Party handed the floral basket to the DPRK ambassador to his country on October 3.

He told the ambassador:

"I am happy to present a floral basket to the dear leader Comrade Kim Chong-il on behalf of the United Republican Party of Guyana on the 49th anniversary of the founding of the WPK.

"I extend warm congratulations and best wishes to dear Comrade Kim Chong-il, the leader of the Workers' Party of Korea.

"I wish the Korean people greater success in the efforts to build socialism and reunify the country under the wise guidance of the dear leader."

Kazakh Supreme Soviet Delegation Arrives 4 Oct

*SK0710044094 Pyongyang Korean Central
Broadcasting Network in Korean 0100 GMT 5 Oct 94*

[FBIS Translated Text] A delegation of the Kazakh Supreme Soviet led by its Vice Chairman Sultanov

arrived in Pyongyang by train on 4 October. Paik In-chun, vice chairman of the Supreme People's Assembly [SPA]; Yu Ho-chun, (?member) of the SPA Standing Committee, and functionaries concerned received the delegation at the station.

A banquet was arranged for the delegation on the evening of 4 October.

Visits Kim Il-song Statue

*SK0610045794 Pyongyang KCNA in English 0410
GMT 6 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 6 (KCNA)—The delegation of the Kazakh Supreme Soviet headed by its Vice-Chairman K.S. Sultanov on Wednesday laid a wreath before the statue of the great leader President Kim Il-song on Mansu Hill and paid a silent tribute to his memory.

The head of the delegation said they express deep condolences on the death of the great leader Comrade Kim Il-song.

The Kazakh people are sharing the sorrow of the Korean people at his death, he noted, and said:

"We wholeheartedly hope that the Korean people will make big achievements in socialist construction, true to behests of the great leader, in the future."

Vice President Meets Outgoing Gabonese Envoy

*SK0710122794 Pyongyang KCNA in English 1103
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—Vice-president Pak Song-chol met and had a talk with Gabonese Ambassador to Korea Benjamin Legnongo-Ndumba when the latter paid him a farewell call at the Mansudae Assembly Hall today.

Present on the occasion was Vice Foreign Minister Pak Myong-ku.

Yi Chong-ok Meets With Ugandan Delegation

*SK0710060094 Pyongyang KCNA in English 0431
GMT 7 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—Yi Chong-ok, member of the Political Bureau of the C.C. [Central Committee], the Workers' Party of Korea and vice-president, met and had a friendly conversation with the delegation of the National Resistance Movement of Uganda led by its Vice-Chairman Moses Kigongo at the Mansudae Assembly Hall on Thursday.

The head of the delegation conveyed deep condolences Yoweri Kaguta Museveni, President of the Republic of Uganda and chairman of the movement, sent to the dear leader Comrade Kim Chong-il on the sudden death of the great leader President Kim Il-song.

Noting that the Ugandan people know well of the dear leader, who is making enormous achievements by rallying the Korean people in one idea, Moses Kigongo said: "The national resistance movement of Uganda regards the Democratic People's Republic of Korea under his leadership as the beacon of hope."

The dear leader Comrade Kim Chong-il is the lodestar of the Korean people and the sun of the nation, he said, adding that Korea will be more prosperous because its people have the great leader and remain loyal to him.

Kim Il-song Regarded as 'Eternal Mental Support'

*SK0710111994 Pyongyang KCNA in English 1054
GMT 7 Oct 94*

["NODONG SINMUN on Korean People's Will To Uphold President Kim Il-song as Sun of Chuche"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 7 (KCNA)—The Korean people's will to uphold the great leader Comrade Kim Il-song as the eternal sun of chuche is spotlessly pure and noble and will never change even in thousands of years. As the orbit of planets around the sun is immutable, the oath of the Korean people to uphold the great leader forever will never change.

This is stressed in a by-lined article of NODONG SINMUN today under the title "Unshakable Faith of Our People in Acclaiming Great Comrade Kim Il-song as Eternal Sun of Chuche."

The dear leader Comrade Kim Chong-il is quoted as saying:

"The great leader was the sun of chuche that brightly illumined the path ahead of humanity. Although his heart stopped beating, he will always be alive with the revolutionary people of the world as the sun of chuche."

The article says:

To have the respected leader Comrade Kim Il-song as the sun was the greatest fortune ever in Korea's history of 5,000 years and the biggest honour and happiness of our nation and humankind.

He was the savior of the destiny and a great ever-victorious banner for our people. Our people are filled with the determination to uphold him forever under the slogan of "The great leader Comrade Kim Il-song will always be with us."

Our people's noble traits in upholding him as the eternal sun of chuche find expression in the fact that they take his revolutionary idea, the chuche idea, as the eternal lifeline and regard him as their eternal mental support.

For the chuche idea he founded to indicate the path ahead of humanity, the great leader enjoyed respect and reverence from all our people and the revolutionary people of the world as the sun of chuche, and his august name is a symbol of struggle and victory.

Having taken over the noble spiritual world of the anti-Japanese revolutionary fighters who [word indistinct] after the sun and remained loyal to him, our people will think and act in accordance with his revolutionary idea, the *chuche* idea, and will staunchly follow the road indicated by him in his lifetime.

The bosom of Comrade Kim Il-song was a great embrace for our people. They always entrusted their destiny to him and confidently fought through thick and thin, bitters and sweets.

Regarding him as their eternal mental support, our people will as ever remain utmost powerful and dignified revolutionary people who are unrivalled in bravery and fearless of any ordeals.

The revolutionary traits of our people in upholding him as the eternal sun of *chuche* also find expression in the fact that they devotedly work to live up to his benevolent loving care and favours, always bearing them in mind.

Comrade Kim Il-song was the savior and kind father of our people. He gave them the most precious political integrity, led them to exalt it and fed, clothed and looked after them.

Today our party members and other working people, remembering his deep loving care, devote themselves to production and construction, recording every day with loyalty, determined to repay even a thousandth of his care.

To our people, the respected leader Comrade Kim Il-song means the dear leader Comrade Kim Chong-il, and vice versa.

As Comrade Kim Il-song's idea and leadership are brought into full play by Comrade Kim Chong-il, the sun of *chuche* continues shedding rays and our people's faith in Comrade Kim Chong-il becomes more unshakable.

South Korea

Foreign Minister Returns, Comments on DPRK

SK0710090094 Seoul KBS-1 Radio Network in Korean
0800 GMT 7 Oct 94

[FBIS Translated Text] Foreign Minister Han Sung-chu has said that it is still too early to be optimistic or pessimistic about the results of the U.S.-North talks, adding that it is necessary to wait a few more days to see how the talks develop, and that this notwithstanding, now is not the time to discuss the issue of imposing sanctions against North Korea through the United Nations.

Minister Han returned home today after delivering his speech before the UN General Assembly and wrapping up his discussions with the United States and Japan about charting a nuclear policy. He said that no drafts of an agreement have been exchanged yet between the United States and North Korea, but the basic positions

between the two sides, which have been disclosed so far in their negotiations, have been fine-tuned in writing at the moment.

Minister Han Sung-chu visited the United Nations beginning 29 September, discussing with major countries concerned—such as the United States and China—the pending issues, including North Korea's nuclear issue. He delivered an address at the UN General Assembly to the effect that the ROK wishes to become a nonpermanent member of the Security Council and also had negotiations with the Japanese Government on ways to aid North Korea in the construction of a light-water reactor.

Unification Minister on N-S Summit, Cooperation

SK0710094094 Seoul KBS-1 Radio Network in Korean
0900 GMT 7 Oct 94

[FBIS Translated Text] Today, Yi Hong-ku, deputy prime minister and minister of national unification, said: Since the South-North summit talks were postponed at the request of the North Korean side, I expect that an across-the-board [*chonbanjokin*] South-North dialogue, including the summit talks, will be in effect again when the political situation is stabilized in the North Korean side.

Deputy Prime Minister Yi Hong-ku said this at a seminar hosted by foreign correspondents today. He went on to say: Although there is no change in the government's policy of linking the nuclear issue with economic cooperation, we can be flexible, depending upon the situation.

Deputy Prime Minister Yi also made clear the position that North Korea should not rule out the ROK in the process of solving the nuclear issue and discussing the establishment of diplomatic relations between the United States and the North, but that North Korea should show an active attitude toward improving the South-North relations.

* Old, New Political Figures Under Kim Chong-il

942C0208A Seoul SINDONG-A in Korean Sep 94
pp 236-251

[Article by reporter Hwang Ui-pong: "New Power Group: Group of '80 and Vassals"]

[FBIS Translated Excerpt] "Kim Chong-il is expected to install O Chin-u as head of state. Probably because this matter has not been completely settled yet, the formalities for the succession of power has been delayed. O Kuk-yol has been tentatively chosen as new minister of people's armed forces replacing O Chin-u." (So said Kang Myong-to, a recent North Korean defector, son-in-law of North Korean premier Kang Song-san.)

"One of the immediate priority tasks confronting Kim Chong-il is to realign his connections in the power elite. In other words, this involves getting rid of the elder

statesmen belonging to the first generation of the revolution, a task that Kim Il-song left incomplete when he died. In brief, it boils down to how to force out elderly military leaders like O Chin-u." (So said Kim Chong-min, who defected to the South in 1992 while working as president of the Taeyang Trade firm under the Organization and Guidance Department of the Korean Workers Party [KWP].)

More than a month has passed since Kim Il-song died, but the new power structure being worked out deep inside the power center of North Korea is still shrouded in a veil. Not only among experts on North Korea but even among North Korean defectors who were familiar with the inner situation in North Korea, opinions are mixed. Take for instance the speculation on the future of O Chin-u, the most influential elder statesman in the military. There are two opposing predictions: one predicting that he will become the head of state, the other foreseeing that he will be removed from power.

Despite the delay in the formal succession of power and the rampant speculation, practically no expert doubts that Kim Chong-il will become the highest leader of North Korea for now and that he is currently exercising his supreme power. The only remaining question is what will be the character of the power group that will lead North Korea under Kim Chong-il in the wake of the death of Kim Il-song and who will be the important members of that group?

Two Different Views on Change in Power

There are two opposing premises in predicting the composition of the power elite of the Kim Chong-il regime. One maintains that there will be no striking change in view of the process that was taken in the past to pave the way for the succession of power; the other holds that nevertheless a certain level of change will be inevitable now that Kim Chong-il has become the highest leader both in name and reality.

The main factor underlying the premise that it will be difficult to effect any meaningful change in the power elite in North Korea is the impossibility of drawing a line of demarcation between the Kim Il-song men and the Kim Chong-il men. They argue that because the de facto Kim Chong-il regime has been established through over 20 years of preparatory work to carry out a dynastic succession of power from Kim Il-song to his son, there is no need for a sweeping realignment in the power hierarchy. They also argue that there is little need for personnel replacements because Kim Chong-il will have no choice but to follow the Kim Il-song line.

Another factor in favor of the argument that a shift in the power elite is impracticable is the fact that there is little room for change because influential figures in North Korea have gone through ups and downs in their fortunes while simultaneously holding important jobs in the party, government, and military. According to a study by the Institute for National Unification headed by Dr.

Chon Hyon-chun, some 40 powerful figures in the power elite hold key party, government, and military posts concurrently. [passage omitted]

In North Korea anyone who once joins the power elite thanks to the trust of Kim Il-song and Kim Chong-il stays in key posts for a long time unless he is purged on the charges of being a political opponent. Accordingly, even if there is some change in the hierarchy, the change will be only superficial, with any substantial change hardly expected.

If so, would there be no realignment in the hierarchy of the Kim Chong-il regime? The opinion currently emerging among experts is that despite the aforementioned peculiarities of North Korea, there will be some change in one way or another. They argue that when the supreme ruler is replaced, by nature of power, there has to be some replacements in key posts, and that for the sake of stability of the Kim Chong-il regime, a certain scope of change in the leadership is inevitable.

An overview of all these background factors points to the prospect that Kim Chong-il will undertake a realignment of the hierarchy in his own way, limited as the scope of his choice may be.

O Chin-u, Key Factor in Reshuffle

The one particular group that needs to be dealt with one way or the other to pave the way for the emergence of a new power group is the first generation of the revolution, namely, the former guerrilla group. Important figures among them are: O Chin-u (78), minister of people's armed forces; Choe Kwang (76), chief of general staff; Vice President Pak Song-chol (81); Vice President Yi Chong-ok (76); Yi Ul-sol (74), director of the General Security Service Bureau [howi chongguk]; Yi Tu-ik (73), member of the Party Military Affairs Committee; and Vice Marshal Kim Kwang-chin (76).

These people took part in guerrilla activities with Kim Il-song. Kim Chong-il is no match for them in age, fighting career, and experience. Needless to say, they exerted efforts to secure the succession of power from Kim Il-song to Kim Chong-il in deference to Kim Il-song's wishes. They are still regarded as a guardian group. But for Kim Chong-il, the young leader in his fifties, this group, far superior to him in career, cannot but be a thorn in his flesh.

On the question of how to deal with the first generation of the revolution, said Kim Chong-min, former president of Taeyang Trade Firm, who is familiar with the internal situation in North Korea: "Kim Il-song had planned to get rid of them, but the plan fell through because of his death." He expects that the matter will be a knotty problem for Kim Chong-il to deal with. Some of these elder statesmen regard Kim Chong-il as an inferior, not by an inch but by a mile. Therefore, says Kim Chong-min, it will not be easy for Kim Chong-il, in his early 50's, to deal with them.

According to Kim Chong-min, even Kim Il-song found it a very difficult proposition to get rid of the first generation of the revolution. In particular, many of those military officers belonging to the first generation of the revolution are the former classmates of Russian generals at (Prunze) and other military academies and have close ties with them, making it all the more difficult to get rid of them. Currently, the party Secretariat is completely staffed with expert technocrats, whereas in the military those belonging to the first generation of the revolution still hold the top posts. This indicates that it was not an easy thing to deal with elder statesmen in the military.

The question of how to deal with the partisan generation boils down to how to deal with O Chin-u. The key question is whether to remove him, who ranks second only to Kim Chong-il in the party hierarchy, or make him the head of state, or let him keep his current status at least? The way Kim Chong-il handles this issue will show whether in the process of consolidating his power, he will compromise with the existing forces, or will confidently realign the power elite more thoroughly in accordance with his own ideas.

On this question, Kim Chong-min sees the possibility of some action saying, "The marshal who is behind in his career (Kim Chong-il) cannot control the marshal who is ahead in his career (O Chin-u). Saying that O Chin-u's health can be a major factor, Kim Chong-min speculates that if O Chin-u is in good health, certainly he will be removed, otherwise he will be allowed to hold a key post and gradually be forced out. When O Chin-u appeared in the official function during which visitors expressed condolences on the death of Kim Il-song, he tottered with each step, indicating that he has not been in good shape since he was involved in a near fatal automobile accident. [passage omitted]

In connection with the question of how to deal with the first generation of the revolution, the possibility that Kim Chong-il will not take up the position of head of state has emerged as a matter of great interest. This possibility exists because in the process of power succession, Kim Chong-il may opt for a division of power just as a matter of formality in consideration of the group of elder statesmen belonging to the first generation of the revolution as well foreign relations. Of course, in this event the elder statesman installed in the presidential seat will be just a "figurehead" and it won't mean a substantive revamping of the power structure in North Korea. Given his reluctance to appear in public, the assumption that Kim Chong-il might not want to pick up the presidential mantle is possible. Answers to the question of how to handle the first generation of the revolution and the question of whether or not to install an elder statesman of the revolution as the head of state will depend on Kim Chong-il's ability to gain power. Attention is focused on how these issues will be dealt with.

As expected, the new power group in the Kim Chong-il regime will consist of his relatives by blood and marriage

and graduates of Mangyongdae Revolutionary Institute and Kim Il-song university, who have distinguished themselves in the process of paving the way for the hereditary succession of power. They are expected to pull together something like a group of vassals. Needless to say, most of them had been placed in key posts under the Kim Il-song/Kim Chong-il rule way before Kim Il-song died. It is somewhat a misnomer to call them the "new" power group, but they are worthy of note because they are expected to take up key positions and at least maintain their current influential status.

Chang Song-taek's Meteoric Rise

Kim Myong-to (36) drew attention when he defected to the South because he is the son-in-law of North Korean Premier Kang Song-san. During his 27 February news conference, responding to the question about how Chang Song-taek (49) was doing lately, Kang Myong-to said, "He was already appointed as first acting director of the party's Organization and Guidance Department last December." This reply aroused an usual interest. According to Kang Myong-to, Kim Chong-il previously handed over the Organization and Guidance Department to Yun Sung-kwan, but late last year fired Yun and eliminated the post of director of that department and appointed Chang Song-taek as first acting director.

If what Kang says is true, it signifies that Chang Song-taek, who was expected to be a key figure, is now emerging as leader of the new power group both in name and reality. The Organization and Guidance Department, one of the 27 specialized departments under the party Secretariat, consists of 13 sections. In reality, this department is regarded as the highest, most powerful organization in the North Korean hierarchy. It commands and controls all state and party organizations under its jurisdiction through three channels (the party channel, the administrative channel, and the security channel), and a three-day [samil] report and control system.

The most important duty of the Organization and Guidance Department is said to be providing guidance in party life, controlling cadres' personnel affairs, and keeping tabs on their private lives. It has been established that in taking personnel actions involving provincial party secretaries (equivalent to provincial governors in the South), vice ministers of the State Administration Council (equivalents to vice ministers in the South), general officers in the military, and other high-ranking officials, reports prepared by this department for reference play a decisive role. The fact that Kim Chong-il began his public career at the Organization and Guidance Department gives a glimpse of its clout.

Chang Song-taek has been in charge of the Department of Three Revolutions Team, the Department of Labor Organizations, and the Department of Youth Affairs. Although low in position and in the ranking (ranked 110th in the list of members of the committee for Kim Il-song's funeral), Chang Song-taek is the husband of

Kim Kyong-hui (48), Kim Chong-il's younger sister, who is said to be very dear to Kim Chong-il. He is the closest to Kim Chong-il among all of his aides. Being a man of outstanding ability, Chang has been regarded as a person destined to play a leading role in the era of Kim Chong-il. Kim Chong-il is said to have told him, "You are the only guy whom I can trust." If he is the person really in charge of the Organization and Guidance Department, it may be assumed that he is emerging as the number two man after Kim Chong-il both in name and reality.

Some experts on North Korean affairs are skeptical about Kang Myong-to's claim that Chang Song-taek has been appointed as director of the Organization and Guidance Department. There is the possibility that Chang will someday become director of that department, but they argue that it is premature to be the director now because the post is so important. According to these experts, Kim Yong-nam or Kye Ung-tae has a better chance of becoming its director than Chang Song-taek. At any rate Chang Song-taek is moving into the spotlight in North Korea under the Kim Chong-il regime simply by dint of his special background, regardless of whether he is the deputy director of the Organization and Guidance Department or not.

Kang Song-san, Kingpin in Economic Field

Among Kim Chong-il's relatives who will emerge as influential figures under the Kim Chong-il regime are: Kang Song-san, premier of the State Administration Council (Kim Il-song's cousin by a maternal aunt); Kim Tal-hyon, Vice Premier of the State Administration Council (husband of Kim Il-song's cousin once removed); Kim Yong-sun, party secretary for operations targeted at South Korea (younger brother of Kim Chong-suk, Kim Il-song's first wife); Hwang Chang-yop, party secretary for ideology (husband of Kim Il-song's niece); Yang Hyong-sop, speaker of the Supreme People's Assembly (husband of Kim Sin-suk, Kim Il-song's cousin once removed); Chang Song-u, chief of political affairs, Ministry of Public Security (Chang Song-taek's elder brother); Kim Kyong-hui, KWP director of light industry (Kim Chong-il's younger sister); and Kim Chong-u, vice minister of external economic affairs (Kim Il-song's cousin once removed).

It has been confirmed that in spite of his son-in-law's defection, Premier Kang Song-san (63), who ranked third after Kim Chong-il and O Chin-u as of mid-August, is secure in his position. He is the economic technocrat who has been in command of the North Korean economy at the head of the bureaucracy together with former Premiers Yi Kun-mo and Yon Hyong-muk. After graduating from Mangyongdae Revolutionary Institute and Kim Il-song University, he majored in economics at Moscow University. He started his career as guidance worker at the party's Organization and Guidance Department, and successively served as responsible secretary of the KWP Pyongyang City committee, vice

premier of the State Administration Council, member of the Political Bureau, premier of the State Administration Council, secretary of the North Hamgyong Province KWP Committee before he was appointed once again as premier of the State Administration Council.

Kang Song-san is, in short, a man raised systematically by Kim Il-song. Kang's father was said to have been in charge of the personal safety of Kim Il-song and died in his arms in the 1930's. Thanks to Kim Il-song, Kang Song-san was among the first graduating class of Mangyongdae Revolutionary Institute and even studied abroad thereafter. In this course he forged a close bond with Kim Chong-il from his childhood. In particular, Kang is credited with having ferreting out the irregularities committed by Kim Song-kak, younger brother of Kim Il-song's second wife Kim Song-ae, in 1972.

Evidently, thanks to his blood ties, academic background, and career background, Premier Kang Song-san has glided along the elite track to become the number one administrator in North Korea. In a sense, it is quite natural that modifiers, such as the forerunner among the new generation or the forerunner among the second generation of the revolution, are attached to his name. He was behind the adoption in 1984 of the Joint Venture Law to promote joint ventures with foreign enterprises; and he also worked out the plan to develop "the Najin-Sonbong free economic zone" when he was the responsible secretary of the North Hamgyong Province KWP Committee. Thanks to all these merits, he is regarded as one of the few cards that can be used in reviving the North Korean economy.

To what extent Kang Song-san will be able to distinguish himself under the Kim Chong-il regime will depend on how he will revive the ailing North Korean economy and whether he will be able to successfully combat his diabetes.

Kim Tal-hyon, Standard-Bearer of Economy

Reportedly, Kim Tal-hyon (54) was relieved of his post as vice premier last December and is currently working as the manager of the 28 February Vinylon Factory. He may have stepped down taking the responsibility for the economic setback, but experts all agree that he will be reinstated sooner or later. A splendid comeback is expected given Kim Chong-il's profound trust in him and his own outstanding economic management ability.

Our concerned officials are all eyes and ears, being particularly anxious to know whether he is going to emerge as an economic powerhouse under the Kim Chong-il regime, for he was deeply involved in the issue of North-South economic cooperation in the past. When a North Korean economic delegation visited Seoul in September 1992 at the invitation of Kim U-chung, chairman of the Daewoo Group, Kim Tal-hyon was the leader of the North Korean delegation. When Kim Il-song visited China in September 1990 and in October 1991, Kim Tal-hyon accompanied him and reportedly

played an important role in the issue of whether North Korea should adopt Chinese-style opening measures.

According to Kang Myong-to, Kim Tal-hyon by nature is not in sync with Premier Kang Song-san. He is so unyielding that there was said to be frequent frictions between them. Kang Myong-to some time ago explained the background of Kim Tal-hyon's fall in these words: "He cut off electric supply to the munitions factory to divert it to the coal industry. He was strongly reprimanded by Kim Il-song and became the target of concentrated ideological attack." Given his open-minded sense of foreign relations as well as his outstanding ability in economic diplomacy, Kim Tal-hyon is regarded as the standard-bearer of North Korea's southern policy and the shoo-in candidate for the premiership.

Kim Yong-sun (59), party secretary for South Korean affairs, was dropped off of the list of KWP Political Bureau candidate members last December when he ranked 15th in the order of importance. He was placed 29th in the order of importance (in the list of Funeral Committee members). This gives the impression that his power has diminished. But judging from the fact he still holds his positions as party secretary for South Korean affairs and chairman of the Unification Policy Committee, his influence seems to be intact.

Kim Yong-sun, who is expected to become a key figure in the Kim Chong-il regime's foreign affairs and South Korea policy, is familiar with foreign affairs, particularly relations with neutral and capitalist countries. When Kim Il-song was still alive, Kim Yong-sun attended the working-level contacts as the head of the North Korean delegation to prepare for a North-South summit. Critics say he demonstrated his veteran negotiating skills during these contacts.

Hwang Chang-yop (69), party secretary for ideology, and SPA Speaker Yang Hyong-sop (71), both ideological experts, are known as the main ideological props of the North Korean regime and Kim Chong-il's instructor in kingcraft. Hwang Chang-yop, who has been in charge of the campaign to idolize Kim Chong-il and ideological self-criticism, and Yang Hyong-sop, whose position is equivalent to our National Assembly speakership, are expected to do their utmost to cover the Kim Chong-il regime's weakness, namely, the lack of charisma and legitimacy. In post-Kim Il-song North Korea, the role of these two is expected to have quite an emotional influence on Kim Chong-il.

Kim Kyong-hui, Kim Chong-il's Only Blood Sibling

Kim Kyong-hui (48), director of the KWP department of light industry, along with her husband, Chang Song-taek, is expected to make a meteoric rise. That she is Kim Chong-il's only blood sister is not the only reason. It is also because she worked in the KWP International Department for 10 years, and she is in charge of the KWP Light Industry Department. The fact that she

heads the party's light industry department at a time when critics say North Korea is faced with a crisis caused by a dire shortage of daily necessities—indicates that she is being treated as a real powerhouse.

The singular brother-sister affection between Kim Chong-il and Kim Kyong-hui is well known. They say Kim Chong-il, who lost his natural mother when he was young, has thoroughly pursued a policy of suppression against Kim Pyong-il and other children of his step-mother while showing tender affection for his blood sister. According to North Korean defectors, Kim Chong-il and Kim Kyong-hui often break into tears while drinking together, thinking of their deceased mother, Kim Chong-suk. They say when Kim Kyong-hui weeps and sniffles away first, Kim Chong-il follows suit.

But the seemingly frail Kim Kyong-hui is said to be a surprisingly very stubborn and strong-willed woman. She dated Chang Song-taek in their school days. But Kim Il-song was against it and transferred Chang to Wonsan College of Political Economies. She was so stubborn that she went ahead and married Chang anyway.

Kim Chong-u (52), vice minister of external economic affairs, is the person who is actually in charge of the development of the Najin-Sonbong free economic zone, a priority project being pushed by North Korea. He visited Seoul several times as North Korea's economic representative at the North-South high-level talks. Our officials concerned say he is a pragmatist with a rational temperament.

Chang Song-u, Chang Song-taek's elder brother, currently heads the political bureau of the Ministry of Public Security. He seems to have great potential for getting an important post depending on Chang Song-taek's future status.

Graduates of Mangyongdae Revolutionary Institute are in the limelight as an influential group in the Kim Chong-il regime along with Kim Chong-il's kinsmen. Mangyongdae Revolutionary Institute was established in 1947 by Kim Il-song for the children of fallen revolutionaries. It is a school for the privileged class, and Kim Chong-il himself was among its first graduating class. Its importance is evident from the fact that in North Korea anyone who graduated from Mangyongdae Revolutionary Institute, Kim Il-song University, and Moscow University is regarded as the one with the highest academic background.

Kim Chong-il's old classmates at Mangyongdae University are his retainer group, and to him they are practically the same as his relatives. The Mangyongdae alumni group plays a decisive role in the creation, exercise, and maintenance of power, sharing the same fate with Kim Chong-il. As Kim Chong-il becomes the supreme leader in the wake of his father's death, more power is expected to be transferred from the first generation of the revolution to this group, the second generation.

Typical men of power among the Mangyongdae graduates are: O Kuk-yol, Kim Kang-hwan, Kim Tu-nam, and Yi Pong-won in the military; and Chon Pyong-ho, Han Song-yong, Kim Ki-nam, Kim Kuk-tae, and Choe Taepok in the party Secretariat, all of whom are the Kim Chong-il appointees. In addition, Premier Kang Song-san, former Premier Yon Hyong-muk, and Vice Premier Kim Hwan are also prominent graduates of Mangyongdae University.

O Kuk-yol, Emerging Powerhouse in Military

Among the graduates of Mangyongdae Revolutionary Institute, O Kuk-yol (66, general) is the most important object of attention. From 1979 through 1988 he had already gone through all the three key posts in the military, namely, minister of People's Armed Forces, chief of general staff, and director of the General Political Bureau (Ministry of the People's Armed Forces). A near consensus of opinion holds that in spite of his brilliant career background, his current job is just the director of the KWP Operations Department because of his feud with O Chin-u, minister of the People's Armed Forces. Reportedly, the two had a dispute over the military modernization line, and O Kuk-yol was fired by Kim Il-song at the recommendation of O Chin-u.

Observers say it is certain that O Kuk-yol will soon rise again as minister of the People's Armed Forces or chief of general staff now that Kim Il-song who held him in check is gone and Kim Chong-il, who is said to have a profound faith in him, has come into power. Gaining strength is the view that inasmuch as former guerrilla warriors would not fall into Kim Chong-il's grip, O Kuk-yol will be the only alternative.

According to experts on North Korean affairs, O Kuk-yol is regarded as "an outstanding commander with a strong thrusting power and a careful planning ability." That is why going around in the North Korean military is the saying, "With O Chin-u we would lose a war, but with O Kuk-yol we would win." O Kuk-yol became the commander of the Air Force in 1968 at the age of 40. He is said to have stood in the van of the campaign to weed out the anti-Kim Chong-il elements in the military, including Yi Yong-mu, then director of the General Political Bureau, Yim Chol, chief of the Bureau of Operations. From then on Kim Chong-il placed profound trust in O Kuk-yol.

After graduating from Mangyongdae Revolutionary Institute and Kim Il-song University, O Kuk-yol studied at the Soviet Air Force Academy, where he learned modern warfare techniques. Besides having the best academic background as one of the military elite, he is an offspring of a fallen anti-Japanese revolutionary fighter, a background to which North Korea attaches the greatest importance. Thus he has all the qualifications necessary for reaching the power center. O Kuk-yol is known as the son of O Chong-hup, who is revered as a model hero who died in action during a guerrilla fighting in 1932 as Kim Il-song's most loyal comrade in arms.

Kim Kang-hwan (61, general), director of the KWP Military Affairs Department, and Kim Tu-nam (64, general), former director of the KWP Military Affairs Department, together with O Kuk-yol are known as the gang of three closest military aides to Kim Chong-il. The trio started their military career as guidance workers of the KWP Military Affairs Department, and in and around 1980 when Kim Chong-il was officially announced as heir-apparent, they alternately headed the KWP Military Affairs Department, the post which controls the military in subordination to Kim Chong-il. They are sort of political officers, far removed from field military operations. According to observers, it is certain that the trio will play an important part in the military in the future in view of the fact that they have advanced with the process of paving the way for the Kim Chong-il successor regime.

Yi Pong-won (67, general) is deputy director of the KPA General Political Bureau. With O Chin-u as the director, Yi is the de facto director of this bureau. Yi Pong-won, who is responsible for the political control of the military, is in essence a watchman dispatched to the military by Kim Chong-il. It is quite natural that Yi Pong-won draws attention as a key military figure who is expected to lead the military by following in the footsteps of the generation of elder statesmen, including O Chin-u.

O Kuk-yol, Kim Kang-hwan, Kim Tu-nam, and Yi Pong-won are called the "group of '80" because they came to the fore when the arrangement for Kim Chong-il's succession to power went into full swing in the year 1980. Besides them, the following persons belong to this group, which makes up part of Kim Chong-il's personal connection in the military: Kim Il-chol, commander of the Navy; Cho Myong-nok, commander of the Air Force; Choe Sang-uk, commander of the Artillery; and O Yong-pang, member of the KWP Military Affairs Committee.

With regard to Kim Chong-il's personal connection in the military, Kang Myong-to said: "The military is divided into the O Chin-u faction and the O Kuk-yol faction. At a lower level, there are factions called the faction of former 1st Army Corps personnel and the faction of former 2d Army Corps personnel." He cited the following example: "While Yi Pong-won (former member of the 2d Army Corps) was visiting Russia leading a military delegation, the chief of organization, KPA General Political Bureau, who was a former member of the 1st Army Corps, promoted his trusted subordinates, precipitating a feud between the two factions."

Factional feuds within the military have been confirmed by the accounts of defectors. According to analysts, needless to say, factions in the North Korean military represent a phenomenon that arises between different alumni groups or between people who served in different units, and have no political significance yet. However, Kim Chong-il will have to be careful about managing his personal connection in the military because even this

kind of factional phenomenon might play a delicate role should his rule prove to be a failure. Therefore Kim Chong-il is expected to plant his followers in the General Staff and front-line army corps while making the best use of the control function of the General Political Bureau over the military.

Kim Kuk-tae, Candidate for Director of Organization, Guidance

Chon Pyong-ho and Han Song-yong, ensconced in the party Secretariat, are the economic technocrats who are steering the North Korean economy in practice. They are both members of the KWP Political Bureau, ranking 11th and 12th respectively. As economic experts, they rank highest, second to none but Premier Kang Song-san. According to observers, both of them are quick-witted, have expertise, and what is more, they have an outstanding ability. They are regarded as the main props of the Kim Chong-il regime. Their future depends on how well they will fare in reviving the North Korean economy from ruin.

Chon Pyong-ho (70) is known to be in charge of the munitions industry after taking charge of the heavy industry. He is reputed to be an economic expert, an authority in the theory of party building and excel in writing. He is said to have taken part in writing theses or statements for Kim Il-song and Kim Chong-il.

Chon Pyong-ho also built up his career in the KWP Organization and Guidance Department, and once served as Kim Chong-il's chief of staff for organization. Kim Chong-il placed such full trust in him that he was named to the National Defense Commission in May 1990. Among the members of the National Defense Commission, Chon Pyong-ho is the only person who is not in the active service, besides Kim Chong-il, its chairman. This signifies that Chon Pyong-ho is pushing through Kim Chong-il's ideas by acting as a pipeline linking the KWP and the National Defense Commission. He, a native of Musan, North Hamgyong Province, majorin in metallurgy and mechanical engineering in Moscow University after graduating from Kim Il-song University.

Han Song-yong (67) is a member of the KWP Political Bureau, the party secretary in charge of the machine and metallurgical industries, and a member of the Central People's Committee. He is regarded as an economic kingpin along with Chon Pyong-ho. He, a native of Myongchon, North Hamgyong Province, graduating from Kim Il-song University and Prague College of Mechanical Engineering in Czech. As Chon Pyong-ho is playing the role of a link between party and military, Han Song-yong is playing the role of a link between party and state in his capacity as a member of the Central People's Committee.

Kim Ki-nam (68), party secretary in charge of propaganda, and Kim Kuk-tae (70), party secretary for ideology, are the highest elder statesmen in the domain of

propaganda and agitation. They are the focus of attention in connection with the role they are playing in consolidating Kim Chong-il's position in the wake of Kim Il-song's death. They rank 24th and 25th side by side in the hierarchy. They have alternately served as director of the party's Propaganda and Agitation Department as if vying with each other. They entered the party Secretariat in late 1992 and since then have been gliding along the promotion track.

Kim Ki-nam is credited with coining such famous slogans and titles as: "Let us live in our own way," "Production, study, and life—all in the manner of the anti-Japanese guerrillas," and "Dear Leader Comrade." He is regarded as the best stylist in the party. He, graduate of Kim Il-song University and Moscow University, has been working in the propaganda area since the 1960's. When he was assistant director of the party Propaganda and Agitation Department, Kim Chong-il was a section chief of his department. Later Kim Chong-il was promoted to the post of acting director and became Kim Ki-nam's boss. Despite the reversal of their positions, Kim Ki-nam faithfully served under Kim Chong-il and forged an intimate relationship with him. In brief, he won Kim Chong-il's trust by leading the campaign to create public opinion in favor of the dynastic succession of power, and as a result, he became the supreme commander in the field of propaganda.

Kim Kuk-tae is also a propaganda expert. He became director of the party Propaganda and Agitation Department ahead of Kim Ki-nam. He is the eldest son of Kim Chaek (a former guerrilla fighter who once served as vice premier and died in 1952). When Kim Chong-il was young, his relationship with Kim Kuk-tae was so chummy that he used to call Kim Kuk-tae brother. Songjin, his hometown in North Hamgyong Province, was renamed Kimchaek City, and the engineering college there bears the name of Kim Chaek. This suggests the extent of Kim Kuk-tae's strong background. He graduated from Kim Il-song University and Moscow Military Academy. He became director of the party's Central Committee Affairs Department [chungangwi pujang] in 1968, and thereafter successively served as directors of the KWP Cultural and Arts Department, the KWP Propaganda and Agitation Department, Kim Il-song Higher Party School, the KWP Cadre Affairs Department, and as a party secretary. In his career he has never experienced any political setback, not even once. Together with Kim Ki-nam he has emerged as the highest authority in the field of propaganda and agitation.

When he was director of propaganda and agitation, Kim Kuk-tae led the drive to ouster Kim Song-ae, stepmother of Kim Chong-il, and Kim Chong-il's uncle Kim Yong-chu, thereby rendering a meritorious service in consolidating the groundwork for the hereditary succession of power to Kim Chong-il. In the 1980's Kim Kuk-tae took measures to hang Kim Chong-il's portraits side by side with Kim Il-song's portraits, thus further cementing Kim

Chong-il's trust in him. Some observers regard him as a favorite candidate for the post of KWP director of organization and guidance under the Kim Chong-il regime.

Choe Tae-pok, party secretary for education and candidate member of the Political Bureau, is an influential person who ranks 15th in the order of importance. With Kim Yong-sun, he is charged with the important duty to conduct foreign policy. He is one of those personages whose faces appear on the front page of NODONG SINMUN most often. After graduating from Kim Il-song University and Leipzig College of Engineering in East Germany, he became a professor at Hamhung College of Chemical Engineering. He earned the trust of Kim Chong-il as one of the foremost retainers by rendering distinguished meritorious services in consolidating the groundwork for the succession of power to Kim Chong-il.

Yon Hyong-muk's Likely Comeback

Premier Kang Song-san, former Premier Yon Hyong-muk, and Vice Premier Kim Hwan are the foremost administrative officials in charge of the management of the North Korean economy. Not only the stability of the Kim Chong-il regime but also North-South relations will depend on their feat in resolving the current economic crisis.

Former Premier Yon Hyong-muk (62) is well known to us through the North-South high-level talks. He, a graduate of Prague College of Engineering in Czech, is the foremost expert in heavy industry. He was appointed as premier of the State Administration Council in December 1988, but he was demoted to the responsible secretary of the Chagang Province KWP Committee at the fourth session of the Ninth SPA for his responsibility for the poor results in the fulfillment of the economic goals. Experts speculate that Kim Chong-il will not abandon him, as he has a tank-like thrusting power and who is regarded as superior to Kang Song-san and Kim Tal-hyon in ability.

The speculation that Yon Hyong-muk will be called back is based not only on his own ability but also his singular ties with Kim Chong-il. After his parents died, Yon was adopted by a woman named Choe Il-hwa. When Kim Il-song was struck with flu in the midst of the anti-Japanese struggle in Manchuria and brought to her, Mrs. Choe cared for him by feeding him hot bean curd soup and honey. With this as an occasion, Yon Hyon-muk forged an intimate relationship with the Kim Il-song family. Yon played a part in helping Kim Chong-il receive the title of hero in 1975 by highlighting the image of his leadership in the practical management of the economy.

Vice Premier Kim Hwan (64), as an economic technocrat in light industry, is an influential figure whose name is among the likely candidates for the premiership. He is the son of guerrilla fighter Kim Hyok, who sacrificed

himself while rescuing Kim Il-song and his comrades in arms from a siege by Japanese police. He studied at Leipzig Karl Marx College of Engineering after graduating from the Department of Chemical Engineering, Kim Il-song University.

Kim Hwan is said to be studious but tactless, and known as a man of few words. He was put on the promotion track when he was named as a member of the Political Bureau at the Sixth Party Congress in 1980, and appointed as chairman of the SPA Budget Committee in 1982. But he was suddenly relieved of his post as party secretary and appointed as vice primer in June 1983. Since then he has gone through ups and downs in his career.

Reportedly, the vicissitudes were the consequence of Kim Il-song's disapproval of his attempt to create a special economic zone in Kim Chong-suk county in Yanggang Province after the Chinese model. Some observers, however, point out that this kind of failure may serve as a good medicine in the implementation of the current Tumen River development project. Accordingly, they say, it is possible to speculate that Kim Hwan has a chance of being appointed to a top post. For the same reason, experts predict that when North Korea needs to accelerate the process of opening to the outside world or stepping up economic development, Vice Premier Kim Hwan will rise to the top.

Kye Ung-tae, Powerhouse in Intelligence, Surveillance

Besides Kim Chong-il's relatives and Mangyongdae Revolutionary Institute alumni, those influential figures who joined his vassal group through their personal intimacy with him from his childhood are also the focus of attention. Their backgrounds differ—some of them come from the ranks of former guerrilla fighters. Others are university graduates, while still others come from the ranks of labor. But all of them have it in common that they are loyal to Kim Chong-il and enjoy his unswerving trust.

The following are the typical figures among them who are expected to wield greater power in the Kim Chong-il era: Kye Ung-tae, member of the Political Bureau and party secretary for public security; Choe Yong-nim, vice premier and minister of the metal industry; Chon Mun-sop, chairman of the State Inspection Committee; Paek Kak-nim, former guerrilla fighter and currently minister of public security; and Yi Ul-sol, member of the National Defense Commission and director of the General Security Service Bureau.

Kye Ung-tae (76), party secretary for public security, is an elder statesman appointed to the party secretariat by Kim Il-song. He is a powerful man who oversees the effective implementation of the party line at party, government, and grass-roots levels. His power is enormous, with the right of personnel management over the heads of public security and judicial organizations, such as the director of the State Security Department; the

president of the Central Court; and the procurator general of the Central Prosecutor's Office, in his hands. In a word, he is a powerhouse, with all intelligence and inspection organizations in his grip. What feat he will demonstrate in preventing internal unrest over the Kim Chong-il rule in North Korea deserves attention.

Vice Minister Choe Yong-nim (68) is a vassal of the Kim Il-song family who began to serve as the chief of the Secretariat of the Presidential Palace early in 1973. During this period when the foundation work for the Kim Chong-il regime was at an early stage, Choe passed information on what was going on at the presidential palace on to Kim Chong-il and thus became his confidant. He was elected as a member of the KWP Central Committee and candidate member of the Political Bureau at the Sixth Party Congress in 1980, and promoted to the full membership of the Political Bureau in 1982. He had been rising fast in his career until he was relieved as member of the Political Bureau and vice premier in 1985.

However, being an economic administrative bureaucrat rich in economic knowledge and superb in the power of judgment, Choe Yong-nim staged a comeback in May 1990 and was reinstated as candidate member of the Political Bureau and vice premier. Today he is recognized as an eminent technocrat in North Korea.

Chon Mun-sop, chairman of the State Inspection Committee, is one of the vassals who has looked after Kim Chong-il since he was young. He, a former armyman, is the one who is in overall charge of the state inspection function to keep the Kim Chong-il succession system intact.

Beginning in his youth, Chon Mun-sop served as Kim Il-song's bodyguard. After liberation he was a military cadre before he became commander of the presidential security service in 1971. Thus he is an authority on presidential security. He returned to the military as vice minister of the People's Armed Forces in 1988, and later was transferred to the State Inspection Committee in 1992 as its chairman, which position he still holds. He is, as it were, the head of an action group which will instantly swing into action to suppress any unrest over the Kim Chong-il successor regime the moment it is detected. Some observers foresee the possibility that Chon Mun-sop will be transferred to the Ministry of Public Security.

Paek Hak-nim (76), minister of public security, and Yi Ul-sol (74), director of the General Security Service Bureau, grew up through their guerrilla activities. They forged inseparable bonds with Kim Il-song and his son while waiting on Kim Il-song "at close quarters." With Kim Il-song gone, they are expected to play the role of a protective fence for Kim Chong-il. However, in view of their old age, it is not certain how they will be treated in the new Kim Chong-il power structure.

Besides the likely influential figures in the Kim Chong-il regime examined above, there are quite a few other

members of the power elite. Noteworthy among them are: Vice Premiers Yi Chong-ok and Pak Song-chol—the two who are regarded as candidates for the presidency along with O Chin-u just in case Kim Chong-il does not pick up the presidential mantle; Kim Yong-nam, minister of foreign affairs; Choe Kwang, chief of general staff; Hong Sok-hyong, chairman of the State Planning Committee; Yi Ha-il, member of the party Military Affairs Committee; Kim Kwang-chin, vice minister of the People's Armed Forces; and Choe Yong-hae, chairman of the League of Socialist Working Youth of Korea.

In brief, the power elite in the Kim Chong-il regime is knitted tightly through the blood ties as well as the alumni connection of Mangyongdae Revolutionary Institute for the children of fallen revolutionaries and Kim Il-song University, and their network looks like an impregnable fortress on the surface at least.

Hard for Kim Yong-chu To Challenge New Regime

Under these circumstances, Kim Chong-il's alienated relatives, including his uncle Vice President Kim Yong-chu (72); his stepmother Kim Song-ae; and his stepbrother Kim Pyong-il (41), are viewed as a potential challenge to the Kim Chong-il forces.

Kim Yong-chu still has some potential because much of the personal connection he had forged when he was director of the party Organization and Guidance Department is still extant. But according to defectors, Kim Yong-chu is very careful about his behavior lest because of one false step he should be dealt a crushing blow. Most probably, he is currently living under Kim Chong-il's watertight control. His old age of 70 is another negative factor that makes it difficult for him to challenge the powers that be.

It is widely known that Kim Song-ae and Kim Pyong-il were shorn of power through Kim Chong-il's campaign to remove the side branches of the Kim family. They could not draw attention even during the funeral services for Kim Il-song. Some observers speculate that in case the anti-Kim Chong-il forces should rise up, they would have Kim Pyong-il and others as their leader. But this seems to be a farfetched speculation.

Some observers mention Kim Pyong-il's "potential" saying he enjoys the faith of the military or he is much more intelligent than Kim Chong-il. But defectors who are in the know about the real situation in North Korea point out that such speculation lacks credence in view of his age and career.

The possibility of forming an anti-Kim Chong-il force might be found among young officers in the military, rather than among Kim Chong-il's kinsmen. According to defectors, a discontented force is emerging in the North Korean military because O Chin-u and other elder statesmen with the background of guerrilla fighting have long monopolized the top posts. Particularly, the young

officers who witnessed the downfall of the communist regimes in the Soviet Union and East European countries deserve attention.

However, even if a disgruntled group or an anti-Kim Chong-il group is formed, it would be impossible for such a group to swing into action alone given the meticulous self-defense capability of the Kim Chong-il regime. In other words, unless a crisis precipitates as a result of the failure of the Kim Chong-il regime to resolve the food shortage and other immediate economic hardship, it would be difficult for this group to express their discontentment in action.

At any rate the influential group at the core of Kim Chong-il's power base, namely, Kim Chong-il's relatives and Mangyongdae Revolutionary Institute alumni, will do their utmost to protect the Kim Chong-il regime because the fate of the regime is closely linked to their own fate.

Invitation for N-S Economic Cooperation Canceled

SK0710090594 Seoul CHUNGANG ILBO in Korean 7 Oct 94 p 1

[Article by Choe Won-ki]

[FBIS Translated Text] North Korea recently notified some 50 ROK companies that formerly issued invitations by the North for North-South economic cooperation are no longer valid.

North Korea reportedly asked for a \$1-million to \$5-million commission per company for the issuance or renewal of the invitation to the North.

According to ROK business sources on 7 October, "Following the death of Kim Il-song, North Korea has been restructuring its channel for external economic cooperation. Recently, North Korea sent a notification through its Beijing channel that previous invitations were no longer valid."

The National Unification Board and the Korea Trade Promotion Corporation also confirmed this.

According to the business sources, "North Korea is asking for a considerable amount of commission for new invitations and confirmation of the validity of old invitations."

The amount of commission North Korea is charging for issuing or renewing invitations differs by company, but it ranges from a minimum of \$1 million to \$5 million.

According to a source, North Korea is demanding such commissions due to "previous examples," meaning that North Korea has been receiving commissions from ROK and foreign companies who wished to do business with North Korea.

However, working-level employees of another ROK company said North Korea did notify that the invitations were no longer valid but did not ask for money for

the renewal. Thus, either North Korea is selective in demanding money from ROK companies, or the companies are reluctant to reveal their dealings with North Korea.

In response to the ROK companies' assertion that "We can only invest in the North when the North-South political relations improve," North Korea is reportedly persuading the ROK companies that an investment through a third country is also possible.

The ROK Government authorities analyze that North Korea's demand for commissions is related to its foreign currency situation.

Report on 6 Oct DPRK-U.S. Talks in Geneva

SK0710005794 Seoul YONHAP in English 0029 GMT 7 Oct 94

[FBIS Transcribed Text] Geneva, Oct. 7 (YONHAP)—Officials from the United States and North Korea continued negotiations on Pyongyang's nuclear program Thursday, but details of the full-day session were not immediately known.

During seven hours of talks, the longest since Sept. 23 when the ongoing negotiations started, delegates from both sides reportedly exchanged a wide range of views on how to resolve the nuclear issue. Thursday's meeting took place at the North Korean representative mission in Geneva.

Diplomatic sources here said the morning session focused on reviewing major items in dispute which were discussed by working-level officials on Sept. 30 and Oct. 3-4 during the absence of chief American delegate Robert Gallucci.

After the morning session, a smaller-scale meeting was held in the afternoon with five to six members from each side participating. Vice Foreign Minister Kang Sok-chu led the North Korean delegation.

Following the morning talks, North Korean Spokesman Ho Chong said the full session was sincere and business-like, but he did not elaborate.

Envoy to U.S. on DPRK-U.S. Liaison Office

SK0710034194 Seoul YONHAP in English 0240 GMT 7 Oct 94

[FBIS Transcribed Text] Washington, Oct. 6 (YONHAP)—Ambassador to the United States Han Sung-su declared Thursday that "no liaison offices will be exchanged between Washington and Pyongyang unless the North Korean nuclear problem is resolved."

Amb. Han was responding to queries about the opening of a North Korean liaison office in Washington posed by members of the National Assembly Foreign Affairs and Unification Committee, who are inspecting the Korean Embassy in Washington.

Anticipating that the North would move to form pro-Pyongyang organizations among the local Korean community following the opening of a liaison office here, the envoy disclosed plans to discuss the matter when South Korean consuls-general posted in North and South America gather in Washington on Oct. 14.

Reps. Yi Chong-chan of the New Korea Party and Yi Pu-yong of the main opposition Democratic Party criticized the government's North Korean nuclear policy for its lack of consistency, saying the government has failed to conduct a systematic and persuasive nuclear diplomacy toward the United States. As a result, they called for a major shift in the government's diplomatic approach to Washington.

Rep. Yi Pu-yong remarked, "the more often Foreign Minister Han Sung-chu visits Washington, the harder the U.S.-North Korea nuclear talks appear to get, rather dwarfing the role of Amb. Han." Closer policy fine-tuning in advance and a clearer division of roles are needed among the foreign minister, the chief presidential secretary for foreign and security affairs and the ambassador in Washington, he asserted.

In response, Amb. Han defended the foreign minister's U.S. visits, noting that "the foreign minister is the face of South Korea outside the country and carries much weight with respect to the North Korean nuclear issue." By engaging in close teamwork with the foreign minister, Amb. Han said he and his staff are doing their best to promote the nation's interests through frequent contacts with senior state department officials.

Reps. So Chong-hwa and O Se-ung, both of the ruling Democratic Liberal Party, asked Amb. Han to pay special attention to countering North Korean moves involving overseas Koreans, pointing to signs that liaison offices might be opened in Washington and Pyongyang while transparency in the North's nuclear development program remains unverified.

Meanwhile, Amb. Han told the lawmakers that the Korea-U.S. Treaty on Mutual Legal Assistance in Criminal Matters is expected to be ratified by Congress during the first half of next year.

More on Military Nonwartime Operational Control

*SK0710003994 Seoul KBS-1 Radio Network in Korean
2200 GMT 6 Oct 94*

[Report by Washington-based correspondent Pak Chan-uk]

[FBIS Translated Text] The right of nonwartime operational control, which the UN Forces Command Korea has exercised over the last 44 years, will be handed over to our side effective from this December. At the 16th military committee meeting which ended early this morning Korean Standard Time, the ROK and the United States consummated all the military procedures

for the transfer of the right of nonwartime operational control to the ROK Armed Forces which had been given to the UN Forces Commander in the early stages of the Korean war.

Yi Yang-ho, chairman of the Joint Chiefs of Staff, and Shalikashvili, U.S. chairman of the Joint Chiefs of Staff, signed Strategic Instruction No. 2 to this effect. At the same time, Defense Minister Yi Pyong-tae and U.S. Defense Secretary John Perry agreed to take the final procedure for the signing the relevant agreements at the plenary meeting of the ROK-U.S. annual security consultative meeting to be held tomorrow.

With the returning of the right of non-wartime operational control, the ROK Armed Forces will be able to carry out from December onwards all operational activities—such as guarding of mission, unit movement, and strengthening of the readiness of the armed forces—on their own initiative.

However, in order not to undermine the war deterrent on the Korean peninsula and the combined defense posture, the ROK and the United States agreed that the ROK-U.S. Combined Forces Command will continue to delegate authority from the Joint Chiefs of Staff in exercises such as the establishment of operational plans in preparation for wartime, joint exercises such as the Team Spirit exercise, and in the early warning system.

The two countries agreed that the Combined Forces Command will take over the right of operational control over the ROK Armed Forces when the danger of war is heightened on the Korean peninsula.

Meanwhile, in order to strengthen the combined defense posture, the ROK and the United States agreed to increase the scale of the rapid deployment deterrent force, which will be deployed when the danger of war heightens on the Korean peninsula, from the present scale of one aircraft carrier flotilla, one combat air division, and two marine brigades, and to expedite the time of deployment.

Defense Minister Yi Pyong-tae and U.S. Defense Secretary Perry will hold the plenary meeting of the 26th ROK-U.S. annual security consultative meeting this evening to discuss such issues as the resumption of the Team Spirit exercise and the sharing of the defense expenditures.

Assembly Questions Import of U.S. Nuclear Fuel

*SK0710050594 Seoul HANGYORE SINMUN in Korean
7 Oct 94 p 1*

[Article by Yun Kuk-han from Yonggwang]

[FBIS Translated Text] In regard with the purchase of U.S. company Westinghouse's nuclear fuel whose safety is now being questioned, it was revealed that the Korea Electric Power Corporation [KEPCO] disregarded the recommendation of the Korea Atomic Energy Research

Institute [KAERI] that imports were unnecessary because the entire amount of the same kind of fuel can be produced domestically.

On 6 October, Cho Yong-chang, legislator of the Democratic Liberal Party, presented a document at the National Assembly Communications and Science Committee. In the "Proposal for the Purchase of Nuclear Fuel for 1994, 1995" dated 3 January, 1992, KAERI proposed to KEPCO that "as the entire quantity of nuclear fuel can be produced domestically, imports should be decided by an objective evaluation of a third organization."

However, KEPCO refused the proposal stating that "we can make the most accurate evaluation of production capacity as we own and operate the facilities, thus, an evaluation by a third organization is not necessary."

Disregarding the KAERI proposal, KEPCO imported \$37 million (30 billion won) worth of nuclear fuel. According to legislator Cho, the fuel was a strategic product of Westinghouse and its safety had not been verified.

Legislator Cho stressed that "KEPCO not only buried domestic technology developed on our own, but also worsened the ROK's international trade deficit," and urged KEPCO to cancel next year's purchase. He also pointed out that "It is a dereliction of duty by the Ministry of Science and Technology to assist KEPCO in purchasing and loading the unverified fuel."

In response to this, KEPCO said, "The total amount of nuclear fuel required in 1994 and 1995 is 460 tonnes whereas domestic annual production capacity is 160 tonnes, or 320 tonnes in two years. It was inevitable to import the 140 tonne-difference from the United States."

U.S. Refuses To Implement Aviation Agreement

SK0710091794 Seoul HANGYORE SINMUN in Korean 7 Oct 94 p 2

[By reporter O Tae-kyu]

[FBIS Translated Text] The United States reportedly has not implemented the ROK-U.S. aviation agreement, which was signed in 1991, and, as a result, ROK airlines have not been able to serve Detroit and three other destinations in the U.S. mainland since 1 July. It also reportedly has not honored ROK airlines' onward rights to two destinations in Central and South America since 1 July.

Also, U.S. airlines have withdrawn their plan to use the new freight terminal building, which has been under construction at a U.S. request. This may result in the loss of 19.2 billion won on the ROK side.

Yi Sok-hyon, a Democratic Party lawmaker, said on 6 October: "The ROK-U.S. Aviation Agreement, which was revised in 1991, says that ROK will unrestrictedly

open computer reservation system services and build a freight terminal building for U.S. airlines in return for ROK airlines' rights to serve in Los Angeles and five other U.S. destinations and their onward rights to serve Mexico and two other destinations." He went on to say: "While ROK has implemented all its duties under this agreement, the United States has unilaterally denied ROK airlines rights to serve in U.S. destinations and onward rights."

Lawmaker Yi also said: "The United States says it has been 'comprehensively reviewing' ROK's requests in order to see if the requests are reasonable under the agreement. Its real intention is to acquire exclusive rights to use a freight terminal at the new airport under construction in Yongjong Island."

The United States reportedly sent a letter to the ROK Transportation Ministry and the ROK International Airports Authority through the Foreign Ministry last June. The letter notified ROK that Delta Airlines would not use the airport terminal because of the construction of the Yongjong Island airport and because the rent is too high. The United States also reportedly asked the ROK to expand United Airlines' office building, instead.

President Talks With Japan's Murayama by Phone

SK0710112494 Seoul YONHAP in English 1051 GMT 7 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 7 (YONHAP)—President Kim Yong-sam called Japanese Prime Minister Tomiichi Murayama on the telephone Friday afternoon to exchange opinions on matters of mutual concern.

Chongwadae [presidential offices] spokesman Chu Ton-sik said that in the telephone conversation, the president expressed his appreciation to Murayama over Japan's decision to support South Korean Trade, Industry and Energy Minister Kim Chol-su in his bid to obtain the presidency of the projected World Trade Organization (WTO).

President Kim said minister Kim is now in a highly favorable position thanks to the support given by Japan.

In response, Murayama said his government resolved to support Mr. Kim since he is a candidate from an "important neighborly country" and is better qualified than any other candidates.

The two leaders also decided to see to it that their countries and the United States would closely cooperate with one another on the North Korean nuclear question.

President Kim offered consolation to Murayama over the damages caused by a recent strong earthquake near Hokkaido, and the Japanese premier said earthquake damages were fortunately smaller than initially thought.

Russian Debt to South '700 Million U.S. Dollars'

SK0710014694 Seoul YONHAP in English 0007 GMT
7 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 7 (YONHAP)—Russia's debt to South Korea in arrears amounts to almost 700 million U.S. dollars.

The former communist nation's overdue principal and interest on South Korean loans totaling 1,470 million dollars—1,000 million dollars in bank loans and 470 million dollars in commodity loans—totaled 660 million dollars—175 million dollars in bank loans and 485 million dollars in commodity loans—at the end of August, according to material the Finance Ministry submitted to the National Assembly on Thursday.

The overdue debt, consisting of 501 million dollars in principal and 159 million dollars in interest, was up 273 million dollars from 387 million dollars at the end of 1993.

Russia has agreed to pay the overdue debt up to the end of 1993 with industrial materials such as aluminium and steel and defense items including helicopters, and the two nations will formally sign an agreement this month.

Cultural, Visa Agreements Signed With Czechs

SK0610144594 Seoul YONHAP in English 1127 GMT
6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—South Korea and the Czech Republic on Thursday [6 October] concluded two bilateral agreements—one on cultural cooperation and the other on visa exemption.

The agreements were signed by Vice Foreign Minister Park Kun-woo and his Czech counterpart, Vice Minister Vondra, at the conference room of the First Government Building in Seoul.

Vondra was accompanying Czech Prime Minister Vaclav Klaus to his current official visit to Seoul.

"With the conclusion of the two agreements, cultural and personnel exchanges between the two countries will be further expanded to contribute to the friendship existing between Korea and the Czech Republic," a Foreign Ministry official said.

New Deputy Prime Minister Interviewed on Economy

SK0710103394 Seoul KBS-1 Television Network in Korean 1200 GMT 5 Oct 94

[Interview with Hong Chae-hyong, deputy prime minister and minister of the Economic Planning Board, by KBS anchorman Yi Yun-song in Seoul on 5 October—live]

[FBIS Translated Text] [Yi] President Kim Yong-sam presented a letter of appointment this morning to Hong Chae-hyong, new deputy prime minister and minister of the Economic Planning Board [EPB]; Finance Minister Pak Chae-yun; and Han I-hon, senior secretary for Economic Affairs of Chongwadae [presidential offices]. At this meeting, assessing that our economy is smoothly advancing as planned in all fields, including exports, prices, and growth, although some small- and medium-enterprises still face difficulties, the president urged the new ministers to do their best in sustaining such a trend. As I mentioned, Deputy Prime Minister Hong Chae-hyong took office today as the new conning tower of all economy-related ministries in the government. Deputy Prime Minister Hong Chae-hyong is now linked to the KBS studio. First of all I would like to extend congratulations to you.

[Hong] Thank you.

[Yi] In your inaugural speech you stressed that there will be no big change in the present key economic policy. What is the key aspect on which you are going to put emphasis in your future's overall economic management, including the price policy, which is a matter of the people's primary concern?

[Hong] As in the past, we will make all possible efforts on stabilizing basic necessities of life, which is directly related to the people's daily life. Our economy has already entered a brisk stage. Therefore, to prevent the economy from overheating, we will push ahead with a policy for growth on the basis of a policy for stabilization. At the same time, in the long run, our country should enter the position of an advanced economy as soon as possible. To achieve this goal, first, economic stability is the most important thing and, second, the government should alleviate restrictions imposed on economic activities on a gradual basis so that our economy can be managed on the basis of a market economy. I think this is precisely our immediate task.

[Yi] Yes, I interpret what you have said now as meaning that you will minimize the government's intervention in market activities. What is the government's role in the current industrial policy, including business specialization among major business groups, which has become a pending issue?

[Hong] I think that the market—that is, the world market in the long run—should determine the winner and the loser. Therefore, it will become more and more difficult for the government to dictate businesses to do this or that or to tell them specifically what will be beneficial to them. Hence, it is important, I think, for the government to give guidance to businesses in such a way, for instance, as to convince them of a need for specialization

for their own interest and for the national economy and for the enhancement of competitiveness for themselves and for the national economy.

At the same time, it will also be an important policy—we call it a new industrial policy—for the government to make the rules of the game so that businesses may carry on their activities according to the rules. Without changing the rules we can maintain consistency.

[Yi] The characteristics of the EPB and the Ministry of Finance, off which you were minister previously, are quite different in that the former is a policy-making department and the latter is an administrative department. What is your plan to establish the role and status of the EPB?

[Hong] An important role of the EPB is to help all the departments concerned set up and push ahead their own policies and to coordinate, and give assistance and support so that those policies may produce good results for the economic teams as a whole in terms of growth, commodity prices, and international balance of payment.

Ministry Reports 15 Condemned Prisoners Executed

SK0610143894 Seoul YONHAP in English 1109 GMT 6 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 6 (YONHAP)—Fifteen condemned felons were executed in Seoul and two other prisons on Thursday [6 October], the Justice Ministry reported.

The execution was first of its kind done in almost two years since December 1992.

"The execution was carried out as a fresh warning against crimes in view of the recent series of felonious incidents," an official at the ministry said.

Ten of the 15 were executed at the Seoul prison, two at the Pusan prison and three at the Taegu prison.

The executed people included Cho Hyon-chol, age 35, who drew capital sentence after twice intruded into homes and raped and killed housewives in Pusan in 1990.

Another, O Tae-hwan, 35, held up a family of four in a car and buried them alive on a mountain side near Yangpyong, Kyonggi Province in November 1990.

Burma

Joint Venture Agreement Signed With Singapore

*BK0710082594 Rangoon Radio Myanmar in English
0700 GMT 7 Oct 94*

[FBIS Transcribed Text] The Ministry of National Planning and Economic Development issued Notification No. 43/93 yesterday. It states that the Myanmar [Burma] Investment Commission, in accordance with the Union of Myanmar Foreign Investment Law, has granted a permit to a joint venture company limited between Myanmar Airways under the Ministry of Transport and Air Mandalay Holdings Private Limited of the Republic of Singapore for the purpose of providing chartered domestic and international air transport services and one specified scheduled air transport service.

The Government of the Union of Myanmar, the Ministry of National Planning and Economic Development, in exercise of the power conferred under the Special Company Act 1950, hereby issued this notification to form the above-mentioned joint venture company limited as a private joint venture company limited.

A ceremony to sign joint venture agreement between Myanmar Airways and Air Mandalay Holdings Private Limited was held at the Convention Hall of the International Business Center yesterday morning. The minister for transport, Lieutenant General Thein Win, delivered an address at the signing ceremony. He said as Myanmar economy is boost [as heard], Myanmar aviation have begun keeping pace with the economic dynamo of market-economic system. Under the amendment of Myanmar of aircraft rules 1937, air operator certificates can be issued to airlines and thus keeping abreast for the advancement of international aviation systems of the world. Air Mandalay Limited will be issued this certificate in accordance with the legal amendment. As part of market-economic system, Myanmar has designated the year 1996 as the Visit Myanmar Year. It is Myanmar's traditions, culture, and history to provide a gentle and cultural hospitality to visitors. Furthermore, Myanmar have every hope that tourists will view Myanmar culture, history, and rich natural resources, and beautiful land through the carriage by Myanmar airlines.

Then the managing director of the Myanmar Airways, Thura U Win Myint, and the chief executive officer of the Air Mandalay Holdings Private Limited Singapore, Mr. Lewis Tan, delivered addresses on the occasion after which they signed the agreement.

Air Mandalay Holdings Private Limited will arrange chartered flights for tourists between Yangon [Rangoon] and Mandalay four times a week.

Tourism Minister Returns From Indonesia

*BK0710081694 Rangoon Radio Myanmar in Burmese
0630 GMT 6 Oct 94*

[FBIS Translated Text] A delegation led by Hotels and Tourism Minister Lieutenant General Kyaw Ba, which

visited Indonesia at the invitation of Indonesia's minister for tourism, post, and communications, returned to Yangon [Rangoon] on a Silk Air flight yesterday afternoon.

The delegation was welcomed at the airport by Lt. Gen. Aye Thaung, member of the State Law and Order Restoration Council and minister of labor; Brigadier General Abel, minister of national planning and economic development; H.E. Mr. Mohamed Sanusi, ambassador of Indonesia; heads of the departments, and relatives and friends.

Brunei, Malaysia & Singapore

Malaysia

Mahathir on Trip to Turkey, Jordan, Turkmenistan

BK0610124694 Kuala Lumpur Voice of Malaysia in English 0800 GMT 6 Oct 94

[FBIS Transcribed Text] Prime Minister Dautk Sri Dr. Mahathir Mohamed says the three countries he has just visited—Turkey, Jordan, and Turkmenistan—have more potential from Malaysia's investment and trade than he thought before embarking on the trip. The prime minister, who visited Jordan and Turkmenistan for the first time, admitted that he discovered that there were a lot of areas which they could cooperate in. He stressed (?these areas were) open for Malaysia. He told reporters this at a press conference in Ashgabat at the end of his four-day visit to Turkmenistan, the final leg of his 10-day tour that also took him to Turkey and Jordan.

Describing the outcome of the visits as successful, Datuk Sri Dr. Mahathir said he was able to identify new areas of cooperation with the three countries for mutual benefit. He disclosed Malaysia had registered its interest to participate in the exploration of oil of the Caspian Sea and join a consortium to lay a gas pipeline to China from Turkmenistan through Iran, Turkey, and other countries of the Commonwealth of Independent States.

The prime minister and his delegation left for home today.

Deputy Premier Addresses UN General Assembly

BK0610130994 Kuala Lumpur Voice of Malaysia in English 0600 GMT 6 Oct 94

[FBIS Transcribed Text] Malaysia wants the United Nations to transform itself from being a theater for the concert of a few powerful nations into an effective and representative government. The call was made by Deputy Prime Minister Datuk Sri Anwar Ibrahim. He said the world body should innovate and renew itself to address the challenges of the 21st century.

Datuk Sri Anwar was addressing the 49th UN General Assembly in New York. He stressed the very legitimacy

of the world body ceased upon its realizing the ideals of becoming the conscience of the global community. Datuk Sri Anwar said Malaysia was prepared to commit to the goals of true globalism and the genuine mechanism [word indistinct] to the UN with a new world system for international peace, security, and development. He added significantly the UN had by its very existence prepared the groundwork for a global order that would be truly democratic and multicultural. However, as we draw up the balance sheet of that era and contemplate the challenge of the 21st century, the world body must take into account its many limitations. Clearly, the UN, as it exists today, is unable to effectively deal with critical global issues.

* Trade Relations With Kazakhstan To Expand

94SE0240B Kuala Lumpur BERITA HARIAN in Malay 17 Aug 94 p 7

[FBIS Translated Text] Trade and investment relations between Malaysia and Kazakhstan, which are now at a low level, are expected to be increased through six proposed agreements scheduled for signing in November.

Besides those agreements, which cover cultural, financial, and trade relations, Kazakhstan also plans to set up a trade center in Malaysia to introduce goods made in the Central Asian country to local markets.

Chua Jui Meng, deputy minister for international trade and industry, announced to reporters after talking with Kazakhstan Foreign Minister Kanat Saudabaev at his office in Kuala Lumpur yesterday that Kazakhstan has also expressed interest in attracting investment from Malaysia. He said Saudabaev listed several sectors in Kazakhstan that can be entered by Malaysian investors, namely construction (including housing) and the development of infrastructure and energy projects.

The Kazakhstan foreign minister arrived yesterday with a 10-member delegation for a three-day official visit to this country.

According to Chua, to simplify matters, Malaysia and Kazakhstan plan to sign the six agreements at the same time when the president of Kazakhstan comes to Malaysia, which is planned for November. The agreements that involve the Ministry of International Trade and Industry are agreements to guarantee bilateral investment and trade. The four other agreements are an agreement on economic, scientific, and cultural cooperation, an agreement on two-way payments, an agreement on double taxation, and an agreement on exemptions from some visitor visa requirements.

In 1993, trade between Malaysia and Kazakhstan was worth 12.32 million ringgit, with 300,000 ringgit in Malaysian exports to Kazakhstan. Malaysian exports to that country include office equipment and television receivers, while Malaysia imports sheet iron products from Kazakhstan.

* Defense Minister on Singapore Defense Ties

94SE0240C Kuala Lumpur UTUSAN MALAYSIA in Malay 16 Aug 94 p 2

[FBIS Translated Text] Singapore, 15 Aug (BERNAMA)—Singapore wants defense ties with Malaysia to be increased, Minister of Defense Datuk Sri Najib Tun Razak said today.

Prime Minister Goh Chok Tong expressed that desire when Najib visited him at his residence here.

"He spoke about certain projects that focus on cooperation in particular areas," Najib told reporters after speaking to a dinner meeting of the Singapore Harvard Club. Without citing the specific areas, Najib said that he will further discuss increased defense cooperation with Singapore Minister of Defense Dr. Lee Boon Yang at their meeting in Kuala Lumpur this Thursday [18 August].

Najib said in his speech that Malaysia-Singapore relations must be seen with a new kind of thinking.

"For me, one of the Malaysia-Singapore problems is that we form ideas of each another on the basis of Malay-Chinese relations and ethnic prejudices. I believe the time has come for us to discard such thinking and leave behind matters of history and the communal issues in order to form new relations on the basis of being two sovereign countries," he said.

He proposed a new framework of relations based on good and rational policies and on the notion of a special relationship. He said that with good attitudes and approaches, the two countries can maintain good relations for their mutual benefit.

"We must handle problems together and strengthen relations through complete understanding," he said.

Western Domination of IMF, World Bank Criticized

BK0710110694 Kuala Lumpur NEW STRAITS TIMES in English 6 Oct 94 p 14

[Editorial: "The Right To Develop"]

[FBIS Transcribed Text] The International Monetary Fund (IMF) and the World Bank, autonomous arms of the United Nations, were set up under what must now be seen as an idealistic objective of prosperity for all nations. The latter's portfolio, if it had remained faithful to its mandate, would have entailed the borrowing of the rich nations' surpluses as loans to poor nations so that sound development projects can be financed. The former institution, meanwhile, was mandated to ensure global monetary stability through adjustments of payment imbalances, the burden of which was to be reasonably shared between surplus and deficit countries.

That these Bretton Woods institutions, with voting rights favouring the industrial countries, became the

preferred forums of the surplus nations for global economic management—and not the United Nations where members have equal voting rights—suggests that the ideals, for them, were mere humbug. And, as a result, neither institution came near to fulfilling their intended functions.

Consequently, the success of the deputy prime minister's urgings on the donor (surplus) nations, at the IMF and World Bank annual meetings in Spain, towards being more receptive to the development needs of the world's poorer countries, must be contingent upon several necessary reforms. But, priority must be given to structural reforms which bring into alignment a structure with ideals. Those very ideals envisaged by the founding fathers.

Fundamental to these ideals is the notion of social justice based on equal rights between nations as evidenced by the desired end of development for all, hence the stress on some form of shared well-being between surplus and deficit nations. Reality, however, suggests otherwise. Donor nations are not only not forthcoming with their surpluses, but their control of these institutions has meant the near exclusion of the developing world. The 1990-91 surpluses of the world's seven richest nations of U.S. \$150 billion, for instance, were recycled not in the poorer countries but in the richer industrial countries, the main beneficiary of which was the United States.

Furthermore, outside of these institutions, bilateral aid arrangements between donor and recipient nations are more often than not tied to various conditions that are meant to benefit donor nations.

And, the most recent development threatens to tie down not only aid, but also other aspects of the global economic relationship such as trade and soft loans to the imposition of humanitarian values, as understood by the liberal West, on the developing world. This "cultural" imperialism, despite the increasing popularity of post-modernism in the West which argues for a pluralism of "truths," has threatened to cause a repeat of the North-South confrontations of the 1970s.

With increasing globalisation in all areas of life, intransigence by both North and South alike could cause disharmony and instability. While the imperative of international relations may still reside in national interest, the cause of globalisation requires that nations look beyond their boundaries.

Humanitarian ideals are indeed the stuff of dreams and, like some dreams, they could come true. Nevertheless, aspirations must not delude us into believing that the evolution of history is necessarily unilinear. Given that the right of nations to develop is respected, events might yet lend substance to post-modernist ideas of pluralism.

* Terengganu Prime Location for Oil Industry

94SE0240A Kuala Lumpur BERITA HARIAN in Malay 16 Aug 94 p 5

[FBIS Translated Text] Kuala Terengganu, 15 Aug—As a result of the current rapid development of resources,

Terengganu will be the most important center for growth of the oil, gas, and petrochemical [OGP] industry in the Southeast Asian and Asia Pacific regions. The construction of OGP plants will cause the southern part of the state, namely Kemaman, Kertih, and Paka, to develop in a short time and will make it the focus of domestic and foreign investment.

The director of the state's Economic Planning Unit, Datuk Ahmad Annuar Mohamad, said that the development of the OGP industry in this region greatly contributes to regional economic growth.

In his presentation today of a working paper entitled "Terengganu—Strategic Center for Oil, Gas, and Petrochemicals" at the 1994 Conference on OGP in Terengganu, he said that Terengganu is now contributing 380,000 barrels of crude oil per day.

"This amount is 62 percent of the total crude oil production of Malaysia," he said. He added that the 18 offshore oil fields in the state have record oil reserves of 2.41 billion barrels, which are expected to meet industry's needs.

Ahmad Annual said that the development of the petroleum industry in Terengganu began with the construction by PETRONAS [National Petroleum Company] of a crude oil refinery with a capacity of 40,000 barrels of crude oil per day.

At present, he said, petroleum-based products from Terengganu are exported to ASEAN member states, Australia, the United States, and several other Asian countries. In view of these developments, he said, private interests are planning the construction of a new refinery in the state to refine crude oil from the outside.

Touching on development of the gas industry, he said that by 2020 gas is expected to take the place of oil as the primary energy source.

"Because of 34.1 trillion standard cubic feet of gas reserves, Terengganu will perform this important function, as expected by the Central Government," he said. This very large amount will be the primary reserve for the national energy supply.

* Proton Expected To Meet Production Target

94SE0240D Kuala Lumpur BERITA HARIAN in Malay 16 Aug 94 p 4

[FBIS Translated Text] Shah Alam, 15 Aug—The National Automobile Enterprise, Ltd., (Proton) produces an average of 550 cars per day, and, based on that performance, the company is confident that the production target of 150,000 units by next year will be achieved. Kisai Rahmat, deputy director for administration of the Proton Production Division, said that Proton is now producing 10,000 to 12,000 units each month.

"On average, we produce 550 units each working day. Based on this performance, we have a production target

of 123,000 units of various models of the Proton car by year's end. Proton will buy more machinery by the end of the year in order to increase production capacity. With this addition, our hope is brighter for reaching the production target of 150,000 Proton units by next year. Although Proton is trying to produce that many cars by next year, the production process remains dependent on the will of the market," he said.

He said this to reporters after receiving a visit from Kazakhstan Foreign Minister Kanat Saudabaev at the Proton plant today. Kisai said that this growth is very encouraging, compared with performance when Proton was first born.

"In 1986, we were able to produce only about 2,000 units a month, or 24,000 a year," he said.

Indonesia

Official, East Timor Resistance Leader Meet

LD0710094694 Lisbon Radio Renascenca in Portuguese to Europe 0800 GMT 7 Oct 94

[Text] Nothing has changed but the meeting was worthwhile for its own sake: This can be summed up the talks held in the early hours of this morning in New York between Indonesian Foreign Minister Ali Alatas and East Timorese resistance leader-abroad Jose Ramos Horta.

The basic stances remain unchanged: Indonesia rejects the idea of self-determination for East Timor and rules out releasing [resistance leader] Xanana Gusmao. Nevertheless, Ramos Horta described the meeting as positive:

[Begin recording] [Ramos Horta] The dialogue was fruitful, frank, direct, and very blunt at times, but always within the norms of diplomatic protocol. But in terms of the substance of the issues discussed, namely the question of self-determination, the withdrawal of the Indonesian forces under international supervision, and the release of Xanana Gusmao and other prisoners, of course none of this was agreed to by the minister. Nor was there agreement on our part to the other side's known position that East Timor is already an integral part of Indonesia. [end recording]

Through this New York meeting the East Timorese resistance gained a new status insofar as the meeting implicitly entailed its recognition by Jakarta.

[Begin recording] [Ramos Horta] The resistance has won recognition. Although the terms on which we were invited to meet minister Alatas were that we would go on a personal capacity, obviously the minister was aware that, to come to the meeting I, for example, had to seek the permission of Xanana Gusmao, chairman of the national council of the Maubere [East Timorese] resistance. Without the green light from Xanana Gusmao I would not have gone. And in fact this made front-page news in yesterday's papers in Indonesia, the fact that I

had set the condition that I would only attend the meeting if authorized by Xanana Gusmao. [end recording]

Alatas on Restructuring of UN Security Council

BK0610130494 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 6 Oct 94

[FBIS Translated Text] Indonesia has no objection to the inclusion of Japan and Germany as permanent members of the UN Security Council as long as one of the council's permanent members is a developing country. Speaking after the UN General Assembly debates in New York yesterday, Foreign Minister Alatas said Indonesia supports the expansion of the UN Security Council membership as long as it is done through a package in which the participation of developing countries is assured. Alatas said this is in line with the current talks to restructure the UN Security Council, which includes the expansion of both permanent and nonpermanent members of the council.

During the debating session, the Indonesian foreign minister discussed the issues of Bosnia, Somalia, disarmament, the progress of the Middle East peace talks, and the activities of ASEAN and the Nonalignment Movement.

Minister Briefs Suharto on Outcome of ICPD

BK0610125294 Jakarta Radio Republik Indonesia Network in Indonesian 0700 GMT 6 Oct 94

[FBIS Translated Text] At Jakarta's State Palace today, President Suharto met with Haryono Suyono, minister of population affairs and head of the National Family Planning Board, who reported on the outcome of the International Conference on Population and Development [ICPD] in Cairo, Egypt. Speaking to reporters, Haryono Suyono said during the ICPD, bilateral talks were held between Indonesia and donor countries, including Japan. The head of state advised the minister to implement follow-up action with donor countries to ensure their commitment to North-South and South-South cooperation.

[Begin Suyono recording] A tripartite cooperation is expected to take place with the participation of these donor countries. I also reported to the president that, in the framework of South-South cooperation, a total of 317 people from developing countries are taking part in short-term family planning training program in Indonesia. The training program is attended not only by former participating countries like Bangladesh and the PRC, but also by two newcomers, namely, Lesotho and Tanzania. [end recording]

* Suharto Stresses National Unity, Enthusiasm

94SE0235E Jakarta SUARA PEMBARUAN in Indonesian 22 Aug 94 pp 1, 19

[FBIS Translated Text] Jakarta, 22 Aug—President Suharto stressed that we must be deeply aware that

national unity and integrity are not things that happen once for all. We must continuously and incessantly foster and strengthen national unity and integrity. The chief of state said this Monday morning [22 August] at the State Palace when he officially opened the Eighth Plenary Conference of the Indonesian Association of Pioneers of Independence.

The president said that we feel happy because the Indonesian people have been able to continue the struggle of our predecessors. "We struggle continuously to strengthen national unity and integrity and to renew national enthusiasm."

Our independence aspirations were clear: that our nation should live in a progressive, secure, just, and prosperous society. We can realize these exalted aspirations of independence only through development. "Therefore, having successfully overcome a variety of problems, we immediately began to implement development," he stated.

We also realize, the chief of state said, that the society we aspire to can be realized only after we have conducted development over a long period. "For that reason, we carry out development in phases and with continuity. One phase proceeds into the next phase. What is achieved in one phase is stabilized, improved, and upgraded in successive phases.

After two and a half decades of development, our nation is determined to accelerate, heighten, deepen, and expand development. "For the Pioneers of Independence, who are determined to continue making the maximal contribution to national development, the current development phase has special meaning."

The development that we have carried out so far has achieved many advances in many areas. We realize that our development has not escaped shortcomings and weaknesses, but as a nation of fighters we must keep trying to advance so that we can face the future by maturely drawing lessons from all our experience. "We do not learn from our successes alone. We also learn from the mistakes we make," the chief of state said.

We feel thankful, the president said, that as we enter the takeoff era, the world situation gives us more hope, although we realize that the challenges we face will be bigger, too. The current world economic situation is still uncertain, and the developing nations are experiencing heavy pressures because prices are low for their commodities, flows of funds are declining, debt payments are heavy, and so on.

Therefore, said the chief of state, if these problems are not immediately resolved, they may cause unrest that will affect countries' development. In such a situation, the most important thing is for us to strengthen our enthusiasm for developing and multiplying our development efforts.

History, he said, shows that we can overcome every challenge and put aside every obstacle. "The struggle of the Pioneers of Independence, a struggle that took place during the revolution and the war of independence, shows that," he added. Before we became a free nation, many in the world did not believe that we could stand as a free nation able to manage an independent state. "We proved, however, that the Indonesian people have the ability to do that."

Now, we are not only free; we not only possess a government able to manage the nation and the state; but we have made great advances in developing ourselves as a nation.

The president said that the times are greatly changing, and changes will be even bigger and faster in the coming years. The response we must give clearly will be different from that of the past. Experience and wisdom, however, continue to constitute strength for responding to the challenges of the era. The Pioneers of Independence have very valuable experience that has been tempered by the passage of time. Therefore, the contribution to our national development by the Pioneers of Independence continues to have important meaning, President Suharto said.

Editorials Mark Armed Forces Anniversary

BK0710110994 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 7 Oct 94

[From the press review]

[FBIS Translated Text] ABRI [Indonesian Armed Forces] celebrated its 49th founding anniversary on 5 October 1994. KOMPAS believes that President Suharto has delivered several messages to mark the occasion. One involves the continued need to retain the ABRI role in security and sociopolitical affairs for national development. The ABRI sociopolitical role should even be expanded and directed further to create opportunities for the growth of democracy, law and order, and people's initiative and creativity to improve themselves and others.

In this connection, TERBIT notices the existence of several groups who claim to be working for the benefit of the people, but their actions often contradict popular aspirations. Therefore, this newspaper wishes to support remarks by General Rudini, a former Army chief of staff, who says that ABRI should not allow itself to be controlled by other people. This means that ideally, ABRI should be able to maintain an equal distance to other sociopolitical forces, which are truly safeguarding people's interests. All these groups can be considered ABRI partners. At the same time, those who betray the people will certainly have to confront ABRI.

*** Habibie on Development of Military Aircraft**

94SE0241A Jakarta BISNIS INDONESIA in Indonesian 23 Aug 94 p 12

[FBIS Translated Text] Jakarta, BISNIS INDONESIA—Indonesia has the potential to develop a military aircraft

industry because, in addition to being able to manufacture such aircraft in a technical sense, the import of components would also not be affected by an embargo. This was stated by B.J. Habibie, minister of state for research and technology.

Minister Habibie, who is also chief of the BPIS [expansion unknown], said that Indonesia initially has emphasized the development of a commercial aircraft industry because the domestic market which we have is in that sector.

Meanwhile, he continued, the manufacture of combat aircraft Indonesia is not faced with any limitations on purchasing military equipment and components from abroad. As a result, no embargo would apply to the purchase of such materials. He said: "Therefore, there is no reason to spend money or to continue to try to develop military aircraft."

Speaking on the occasion of the signature in Jakarta on 22 August of a cooperative agreement on raising the quality and relevance of mid-level technical instruction through education and training using a dual system involving the BPIS and the Department of Education and Culture, Habibie stated that there is a fundamental difference between manufacturing combat and passenger aircraft.

He said: "Regarding combat aircraft, the priority is on the 'mission' aspect. A combat aircraft must have a highly developed military capability. Then comes the 'safety' aspect, so that, if there is an accident, the pilot, who represents an investment in himself, will not die needlessly. Finally comes the 'cost' aspect. Meanwhile, the first priority for commercial aircraft is on 'safety.' The second priority is 'cost,' and the third priority is the 'mission.'"

In connection with the curriculum, Habibie emphasized the educational curriculum at all levels, not just applying the concept of "linkage" but also the concept of "matching" training with the needs of the industrial world.

The manufacture of military aircraft—for example, he applied this concept to space missions—has different requirements than the manufacture of commercial aircraft, although both considerations are still involved in the space industry. He said that if the material used in the educational curriculum for the space industry only emphasized the aspect of space in general, this would only meet related requirements and would not meet other, comparative requirements.

He said: "At present our aircraft industry is not concentrated on the manufacture of military aircraft. Therefore, instruction must be associated with the requirements of commercial aircraft. If this is the 'link,' then there is no relationship with the space industry." He stated that at present the Indonesian educational system is still colored by the colonial system, which had no vision of training the nation in the development of technology.

* Golkar Chief on Anticorruption Efforts

94SE0235A Jakarta KOMPAS in Indonesian 16 Aug 94 p 18

[FBIS Translated Text] Jakarta (KOMPAS)—Harmoko, general chairman of the Golkar [Functional Group] DPP [Central Executive Council], said Golkar is confident that efforts that have been, and are being, conducted by the government to eliminate malfeasance, corruption, and such like are not halfhearted. As a sociopolitical organization, Golkar not only supports the government, but also performs constructive correction and social control.

He said this at Kuala Tungkal, Jambi, on Saturday, 13 August, in a meeting between cadres and Golkar members from throughout Tanjung Jabung District. Similarly, Golkar fully supports the Five-Fold Program of the Development Cabinet, including improving the effectiveness of the state apparatus for the sake of creating clean and responsible government.

According to the Golkar general chairman, because the steps taken by the government to eliminate corruption and malfeasance through law enforcement have received wide support from the public, it is hoped that social and moral sanctions will also be developed. In this way, embarrassment and fear will emerge as reactions to such acts.

Although the fight against corruption and malfeasance will continue, Harmoko said this does not mean that the government apparatus is in critical condition. He said most officials and government employees have done their best in their jobs. He also said he hoped the fight against corruption and malfeasance will not produce fear in anyone but the truly guilty.

Besides the meeting at Kuala Tungkal, the Golkar general chairman included in his visit to Jambi Province a meeting in Jambi between cadres and Golkar members and functionaries from all of Jambi Municipality and a meeting in Muara Bulian with Golkar members and functionaries from throughout Batang Hari District. He was accompanied by Golkar DPP Secretary-General Ary Mardjono, Election Campaign Department Chairman Rully C. Azwar, and Manpower Department Chairman Marzuki Achmad.

Apart from his scheduled program in Tanjung Jabung District, Harmoko was asked to visit the poor village of Tanjung Senjulang in Tungkal Ilir Subdistrict, on the banks of the Pangabuan River, which is among the IDT (Presidential Instructions on Backward Villages) villages. According to Marzuki, chief of Tanjung Senjulang Village, who greeted Harmoko and his party, this was the first time since independence that they had been visited by a high official or a minister from the central government. He said that 169 families totaling 800 people are classified as suffering the most. Of IDT funds of 20 million rupiah, 10 million rupiah have been spent on

enterprises for making roofing from nipa palm leaves, purchasing coconuts for making copra, and buying baby chicks for raising.

Harmoko welcomed these joint initiatives by village residents, but he reminded them that the IDT Program is only to provide encouragement. The main help is the community itself. Harmoko gave village residents further assistance in the form of nonpurebred chickens to be raised as a community effort, and he instructed local Golkar cadres to support the IDT program being developed by residents.

* Clearer Limits in Trade Protection Urged

94SE0241D Jakarta BISNIS INDONESIA in
Indonesian 24 Aug 94 p 1

[FBIS Translated Text] Jakarta, BISNIS INDONESIA—Prof. Sumitro Djojohadikusumo, a long time expert on the Indonesian economy, considers that the protection provided to business firms by the government needs to be regulated by law so that such a policy will apply to all groups in the national economy.

He said in Jakarta on 23 August, after the signature of a cooperative agreement between the BNI [Indonesian State Bank] and the Bank Kesejahteraan Ekonomi [Economic Welfare Bank]: "I am not against protection, but its limits must be clear in terms of how long, where, and when protection is needed."

Sumitro, who is also a professor at the Faculty of Economics of the University of Indonesia, said that in any case the state needs to actively provide protection (or support) to those who need it. This support should be provided on a temporary basis. Sumitro said: "This matter needs to be regulated by law to set specific limits. For example, companies that control more than 30 percent of a market need to be warned. Then, the remainder of the market should be given to small businessmen or cooperatives."

In addition to protection Sumitro admitted that the form of deregulation now being undertaken by the government is rather good, although the problem lies in implementation. In this connection deregulation must be implemented in a consistent way, and especially and increasingly aimed at companies whose importance is growing. This rarely leads to collusion and corruption.

In his view the government cannot take a passive attitude because the state is a pathway of force and vice versa. The state should not attempt to control the direction of an industry which has been in existence for 25 years. Sumitro warned that the government must be able to ensure macroeconomic stability, in addition to monetary and fiscal stability, so that economic growth can achieve rates in excess of seven percent annually.

He said: "However, on the other hand, if we continue to fight among ourselves, do not expect that economic growth will be very high."

In another part of the interview Sumitro said that the Indonesian economy has an opportunity to grow well above seven percent annually, if it is able to control the sources of frustration and really tries to increase efficiency.

According to the most prominent economists, during the next five years the Asia and Pacific area is the region with the clearest prospects for economic growth in the world. Indeed, these prospects are for twice the growth of the United States and three times the growth of Europe.

Sumitro said: "On the average economic growth in Asia and the Pacific is already six percent annually, while that in the U.S. is only three percent and in Europe, 2.1 percent. By the end of the 1990's it is estimated that the most advanced countries of Southeast Asia will have annual growth rates above seven percent."

When all of that happens, the former minister of trade said that he was optimistic that the "debt service ratio" on the Indonesian foreign debt can decline to 25 percent from the former level of 30 percent. He said: "All of this depends on the Indonesian people themselves. In that connection we need to develop balanced power. The weaker sectors must be given a lot of 'vitamins,' but the stronger sectors should not take 'vitamins.' In that way our growth will be marked by justice."

Regarding the growth rate of Indonesian exports, Sumitro admitted that during the past five years it has been a matter of some concern that it has been rather low.

Laos

Foreign Minister Addresses UN General Assembly

BK0610161994 Vientiane Vitthayou Hengsat Radio
Network in Lao 1200 GMT 6 Oct 94

[FBIS Translated Text] According to a report from the Lao Embassy at the United Nations, on the afternoon of 4 October, Somsavat Lengsavat, foreign affairs minister of the Lao People's Democratic Republic [LPDR], addressed the 49th UN General Assembly [GA] session in New York.

In his address, Somsavat Lengsavat said: The UNGA session has been convened at a time when the world situation continues to change in a confusing manner. Even though the end of the world's epoch of superpower rivalry has opened a venue for negotiation and cooperation, an era of peace has not yet been realized as hoped by the world people so that the economic wealth could be built up in certain regions in Europe, Africa, and Asia. Religious, nationalistic, and ethnic conflicts and bloody border conflicts have become even more violent, thereby making the international situation unstable and volatile. This development shows that the building of the new international order—an order with genuine peace in which the entire world people and nations, be they big or small, strong or weak, and rich or poor, still stand to gain

together—is, in our view, a difficult question. The international community should pay more attention to profoundly considering this issue with the goal of building together a new era of peace and justice, which has long been hoped for by all countries in the world.

In Southeast Asia, a new era of cooperation in various fields for mutual benefit among the countries in the region has emerged and is vigorously and continuously developing. The opening of the Lao-Thai friendship bridge across the Mekong River in April this year with the assistance and cooperation from the Australian Government and people has become an important event for Laos, Thailand, Australia, and for other countries in the region in their common efforts to enhance and broaden multifaceted cooperation. In the meantime, chiefs of state and heads of government of the countries in this region have also constantly exchanged visits with one another with the aim of strengthening the friendship and multifaceted cooperation for mutual benefits.

Somsavat Lengsavat stressed: The participation of our country as an observer in the 27th ASEAN ministerial conference held in Bangkok, Thailand, in July this year once again showed our sincere desire to develop cooperation in all fields, if possible, with the ASEAN countries, thus meeting the strong aspirations of the people in the region.

The foreign affairs minister noted: As for the LPDR, at present the Lao Government is concentrating all efforts on implementing the objectives outlined in the strategic socioeconomic development plan of our country from now to the year 2000—the strategic plan that was endorsed as a practical document for application by the fifth roundtable conference specifically organized in Geneva for the LPDR in June under the auspices of the UN Development Program.

Regarding the use and trafficking in narcotic drugs, which still remains a serious threat to the world community, the LPDR Government, having realized the dire consequences of such phenomena, has adopted a number of drastic measures to deal with them, for example by encouraging the people to gradually switch from planting opium poppies to other crops and setting up ad hoc suppression units with cooperation from the neighboring countries with the aim of contributing to the arduous international struggle to do away with this danger. In making such efforts, this year the LPDR has adopted a narcotic control plan for the period from now to the year 2000 with the assistance from the (UN Commission for Narcotic Drugs). This plan is set to cost about \$35 million and is composed of 16 projects aimed at improving and strengthening the management of narcotic control and suppression, reducing the demands for drugs consumption through restricting opium growing, treating and rehabilitating drug addicts, and establishing special units to take charge of investigation.

The promotion and protection of human rights still remain an important and acute issues. These rights have

been unanimously recognized as one of international and universal nature. Relying on certain historical, cultural, and religious realities, these rights remain interdependent. Regarding this issue, I would like to hail the establishment of the Commissioner for Human Rights, and I am confident that he will effectively fulfill the esteemed responsibilities entrusted to him.

Assembly Debates Draft Law on Guarantees

*BK0610133694 Vientiane KPL in English 0909 GMT
6 Oct 94*

[FBIS Transcribed Text] Vientiane, October 6 (KPL)—The fifth ordinary session of the National Assembly (third legislature), on October 5 deliberated upon the draft law on guarantees presented by the legal commission.

The law on guarantees is designed to guarantee the implementation of contracts, boost investment and business activities, and contribute to the development of the national economy.

The draft law deals with types of guarantees: contractual guarantees, legal guarantees and court verdict guarantees, content and conditions of guarantors [as received] of guarantees, ways of guarantees, different ways of guarantees with movable properties, including guarantee with movable properties, mortgage with assets and their conditions and results, mortgage with documents/materials and their conditions and results, mortgage with goods in stocks, the description and the price evaluation of movable properties.

The draft law also touches upon the guarantees with fixed properties which include contracts of guarantee with fixed properties, the description and the addition with fixed properties, the use and results of the guarantees with fixed properties.

The draft law further deals with guarantees by guarantors, including the scope of guarantors' responsibilities, co-guarantors and expiration of guarantees.

The general regulations of guarantees include the registration of guarantees, rights and liability of the administrator, the amendment or revocation of guarantee contracts, the renunciation of priorities/privileges and the transfer of guarantees, the void guarantees, termination of guarantees, the cancellation of registration of guarantees, and the verdict of foreign courts or of foreign arbitration organizations related to economic disputes. The decision of foreign courts takes effect only when it is confirmed by the court of the Lao PDR [People's Democratic Republic], and the decision of foreign arbitration tribunals takes effect only when it conforms with the regulations on economic dispute settlement of the Lao PDR.

Philippines

Export Earnings Rise 18% to \$8.5 Billion

BK0710064594 Manila BUSINESS WORLD in English
5 Oct 94 p 10

[FBIS Transcribed Text] Export earnings for the first eight months of the year reached \$8.462 billion, indicating an 18 percent growth from \$7.177 billion in the same period last year, latest data from the National Statistics Office (NSO) show.

In August alone, dollar earnings improved 18 percent to \$1.173 billion from \$995 million in the same month last year. On a monthly comparison, however, overseas sales dipped 3.4 percent from \$1.215 billion in July. The drop can be partly attributed to the steady appreciation of the peso. Last August, the peso-dollar exchange rate stood at P26.313 [Philippine pesos]:\$1 from P26.46:\$1 the earlier month.

During the month in review, earnings from electronics rose 52 percent to \$292.59 million from \$192.45 million last year, capturing the biggest share in foreign exchange earnings at 24.94 percent of total. More than half of the dollar earnings from electronics was contributed by semi-conductors at \$151.5 million.

Contributing the second biggest share in total export revenues was apparel and clothing accessories group. This earned for the country \$219.95 million or 22.22 percent of aggregate dollar earnings from exports.

However, exports of this commodity slightly dipped 0.47 percent over \$220.99 million last year and 9.74 percent from \$243.68 million last July.

In view of the country's imminent accession to the General Agreement on Tariffs and Trade, Philippine Chamber of Commerce and Industry Director General Emmanuel T. Velasco told BUSINESS WORLD the garments and textile sub-sector has a lot of "catching up" to do in order for it to be competitive in the world market.

Posting the highest growth during the eight-month stretch were exports of coconut oil; cathodes and sections of cathodes of refined copper; and, gold.

Exports of gold, for instance, rose 61.95 percent to \$27.11 million from \$16.74 million last year as gold prices in the global market slowly exhibited an uptrend.

Other top exports included ignition wiring sets used in vehicles aircrafts and ships (\$35.95 million); cathodes and sections of cathodes of refined copper (\$34.55 million), and woodcraft and furniture (\$30.94 million).

On the other hand, agricultural exports such as pineapple and pineapple products; bananas; and processed tropical fruits contracted from year-ago levels by 13.51 percent, 15.82 percent, and 24.62 percent respectively.

In terms of market destination, the United States remained the country's prime trading partner capturing \$3.268 billion or 38.62 percent of total earnings during the eight-month period. This represented a 21 percent improvement over the same period last year.

Japan came in second with \$1.267 billion and Singapore ranked third with \$408.6 million. These countries respectively cornered 14.15 percent and 5.13 percent of aggregate earnings.

Exports to both countries likewise posted growth during the first eight months. Dollar earnings from Japan went up 6.37 percent while export earnings from Singapore surged 66 percent.

Investments Increase 143% as of June 1994

BK0710070294 Manila BUSINESS WORLD in English
5 Oct 94 p 16

[FBIS Transcribed Text] Preliminary investment report released by the Securities and Exchange Commission (SEC) shows a total of 2,233 registered firms in June with aggregate investments worth P [Philippine pesos] 1.78 billion.

This brought total registered firms to 11,494 in the first half of the year with investments amounting to P10.44 billion. Of these, 7,846 firms were newly registered ones.

The number of registrations for the first half was 10.3 percent higher than the yearago level. More importantly, the value of investments increased 35.7 percent during the period in review.

As compared with the yearago level, the number of registered firms in June posted a 26.3 percent increase but total investments declined 11.4 percent.

A total of 1,429 new domestic stock entities were set up in June, with capital infusion reaching P1.75 billion. Despite the 15 percent increase in the number of new domestic stock entities, investments declined 11.7 percent from the previous month's level. Nevertheless, a 29.6 percent increase in the number of new domestic stock entities were recorded while investments more than doubled as against the yearago level.

Meanwhile, there were 104 existing stock entities which poured in additional capital in June amounting to P5.23 billion, up 6.6 percent from the previous month's level. The boost in expansion of existing domestic stock entities was further amplified when compared with the June 1993 level. There was a 20.9 percent increase in the number of registrants and a 176.8 percent upsurge in the value of investments.

This brought the composite new and existing domestic stock entities for the first semester of the year to 8,379 with capital inflows of P41.14 billion. Compared with the first semester last year, this represented an increase of 18.2 percent in the number of firms as investments soared 142.8 percent.

The financing, insurance and banking services sector absorbed the bulk—P657.11 million—of new investments in June. Financial intermediaries accounted for 37 percent of new resources channeled to the sector.

Expansions of 58 domestic stock establishments were recorded at P2.33 billion. Among the establishments that undergo expansion, 16 were banking institutions, 14 of which established regional units. The expansion of banking institutions amounted to P1.03 billion in June. Also, there were 17 real estate firms with total expansion costing P173.86 million. Majority of real estate firms were involved in real estate development.

Furthermore, the manufacturing sector cornered 34.13 percent of new investments totalling P595.63 million. The bulk of these investments—some P431 million—went into food manufacturing.

Also, there were 18 business expansions with investments worth P1.52 billion in June. There were five firms in fabricated metal production with expansion cost reaching 421.87 million. Some P481.42 million worth of expansions were channeled to chemical and chemical products manufacturing.

The National Capital Region maintained its dominance as the primary commercial center in the country. Of the total new investments, 86.61 percent were located in Metro Manila. This was further supported by the fact that 98.61 percent of business entities which increased their capital stocks were also located in the area.

Central Luzon and Western Visayas fought for second and third place in investment inflows, respectively. Central Luzon received a total of P69.18 million new investments while P9.91 million were directed to business expansions.

On the other hand, Western Visayas was able to attract a total of P66.78 million in new investments. Aside from this, increases in additional investments of existing domestic stock entities, however, were limited to P136,000 in the region.

Turnover of 22 Lead Sectors Jump 15% Jan-Jun

BK0710064894 Manila BUSINESS WORLD in English 5 Oct 94 pp 1, 6

[FBIS Transcribed Text] Sales value of the country's 22 lead sectors in January to June this year rose to P168.08 billion [Philippine pesos], roughly a 15 percent jump from the year-ago level.

The electronics sector experienced the highest growth in the semester, with an increase of 38 percent in both volume and sales value. Net earnings of the industry reached a hefty P15.72 billion during the period.

The Management Information Service (MIS) of the Department of Trade and Industry (DTI) attributes the strong showing of the sector to the growing world demand of semi-conductor devices fuelled by rapid

advancement in the information and electronic industries. Employment there grew by a hefty 12 percent, in sharp contrast to job slumps felt in many of the other industries.

The automotive sector posted the second highest rise in sales, at 31 percent with value reaching P17.2 billion. The MIS said affordable financing schemes and hard-sell marketing largely fuelled the demand for passenger cars. The number of jobs in the sector grew a sizable 11 percent because of this heightened economic activity.

The food processing sector, with sales of P32 billion, and the garments sector with sales of P32.35 billion, achieved the biggest earnings in the first semester.

Meanwhile, the metallic mining, pharmaceutical industries, and consumer durables sectors showed surprising sales growth of 30 percent, 29 percent, and 23 percent respectively.

Recovery of the world market spurred growth in the metallic mining industry, while the introduction and launching of new products heightened activity in the pharmaceutical industry. Brisk sales of appliances fuelled the leap in sales in the consumer durables sector.

Volume of sales increases were posted in the electronics (38 percent), consumer durables (20 percent), automotive (19 percent), pharmaceuticals (19 percent), and cement (16 percent) sectors. In contrast to the positive results, earnings of the agro-based, engineering and metalworking, footwear and leather goods, furniture and plastic-based sectors slumped. The decline in sales in the agro-based industry marks a turnaround after the sector's high growth in previous months, when prices of coco-based products rose sharply.

Editorial Views ASEAN 'Search' for Security

BK0710050094 Manila PHILIPPINE DAILY INQUIRER in English 5 Oct 94 p 4

[Editorial: "In Search of Security"]

[FBIS Transcribed Text] ASEAN is in search of a multinational defense arrangement that can fill part of the gap left by the drastically reduced American military presence in Asia. This search was underlined by the presence here last week of Malaysian Defense Minister Najib Abdul Razak.

In a lecture at the National Defense College, Razak said that ASEAN was developing a defense network that would enable them to act jointly as military allies without having to build a formal regional military alliance. He said that a formal alliance would stir up suspicion among other Asian countries and drive up tensions in the region, but a "comprehensive network of bilateral military cooperative ties" could achieve the same objective as a formal pact.

Razak was merely echoing the consensus reached during the ASEAN security forum held recently in Bangkok and

attended by delegates from non-ASEAN countries, including China, Vietnam and Australia. That forum recognized that need to have an informal regional security framework that would include major powers in the region, like China and Japan, to explore ways of managing conflict. However regional military pacts were ruled out. What was favored was a gradual build-up of conflict-solving mechanisms and of confidence among Asian nations in the process of peaceful resolution of tensions.

The Bangkok forum was held under the shadow of growing military power of China and the arms build-up among several nations in the ASEAN region, including Malaysia and Indonesia.

ASEAN is insecure about China. Since it can no longer rely on the U.S. defense umbrella that sheltered its members during the Cold War, it is uncomfortable without such a dominating military presence. However, a defense pact among ASEAN members is certain to heighten China's concerns, drive up defense spending and raise tensions over territorial disputes (such as over the Spratlys).

The budding bilateral military cooperation arrangements among ASEAN members are just an informal method of pact making. Joint military training simply means ASEAN members are honing their military skills. Non-ASEAN members can see through this. Intensification of these ties could arouse as much concerns outside ASEAN as a formal pact would.

General Arturo Enrile, the Armed Forces chief of staff, seems to support the Razak project; he has proposed joint military training. In fact, a limited scale of joint military exercises has been taking place among Indonesia, Thailand, Singapore and the Philippines. Such joint military projects no doubt raise the question of who is the enemy, or against whom are they directed.

Thailand

Prime Minister Reviews Meeting With Clinton

BK0710105494 Bangkok Radio Thailand Network in Thai 0000 GMT 7 Oct 94

[FBIS Translated Text] Chintana Phansuphak, head of the Thai Information Office in Washington, reports this morning on the activities in Washington of Prime Minister Chuan Likphai and on his meeting with President Bill Clinton:

[Begin recording] [Chintana] Prime Minister Chuan Likphai and his delegation arrived in Washington from New York today. Thai Ambassador Manatsaphat Chuto, who accompanied the prime minister from New York, escorted Chuan to the embassy where a lunch was held in his honor. At 1500 the prime minister and his delegation had an audience with Princess Chulaphon Walailak at her residence on Darby Street.

At 1700 Chuan and his delegation went to meet with President Bill Clinton in the Oval Office. Also present at the meeting were Deputy Prime Minister Suphachai Phanitchaphak, Foreign Minister Squadron Leader Prasong Sunsiri, Defense Minister General Wichit Sukmak, and Government House spokesman Aphisit Wetchachiwa. On the U.S. side were Secretary of State Warren Christopher, National Security Adviser Anthony Lake, and Assistant U.S. Secretary of State Winston Lord.

After a 45-minute meeting with the President, Chuan made the following remarks to reporters:

[Chuan] The major point was to co-witness the opening of the Business Council, which the President endorsed during the meeting in Seattle. At the same time, the President and I discussed bilateral issues and some countries neighboring Thailand. I informed him on the Cambodian issue. He said he understands and will inform the Congress regarding assertions by some congressmen about Thai support for the Khmer Rouge. I informed him that as an elected government and as democratic politicians, we will not [words indistinct] the legitimate government in Cambodia. He can be assured of this. He said he understands and will inform the Congress accordingly.

Concerning Thailand being placed on the watch list, I referred to his asking me last year in Seattle about the intellectual property and labor bills. I informed him that considerable progress has been made on those matters. The intellectual property bill passed the House of Representatives and is now being studied by a Senate commission. It is anticipated that it will become law soon. The House already has accepted the labor bill in principle, and it is now being considered by a House committee. In short, progress has been made on every issue that pertained to us being placed on the watch list. The President pledged that he will remove us from the list immediately.

Those were the main issues. I assured him about implementation of our policies [words indistinct].

[Unidentified reporter] (?Anything) about Burma?

[Chuan] I informed him that there are indications of improvement there. Although improvement may not be as rapid as desired, there are positive trends. He asked about Aung San Suu Kyi's meeting with Burmese leaders [words indistinct]. My answer was that it indicates changes that the world wants to see. That is, there have been changes to a degree. We will have to wait and see if more are forthcoming.

[Reporter] [question indistinct]

[Chuan] He did not mention APEC, merely saying that we will meet again in Indonesia.

[Reporter] [question indistinct]

[Chuan] I told him that a U.S. President has not visited Thailand for some time. I understand that he is busy. I invited him to visit Thailand when he has a chance.

[Reporter] Did the President ask Thailand to send troops to help the restoration efforts in Haiti?

[Chuan] A request has already been made. He did not bring it up this time. I informed him that in principle Thailand is ready to cooperate with the United Nations and the United States on this issue. The Defense Ministry, the embassy, and the United Nations will coordinate on this matter.

[Chanthana] The prime minister then said goodbye to the President and proceeded to Dulles International Airport to leave for Paris enroute to Thailand. [end recording]

Joint Business Council With U.S. Established

BK0710121194 Bangkok Radio Thailand Network in Thai 0530 GMT 7 Oct 94

[FBIS Translated Text] The Thai Information Office in Washington has reported that on 6 October Deputy Prime Minister Suphachai Phanitchaphak presided at the Thai Embassy signing of an agreement to establish the Thai-U.S. Business Council. Representing the Thai private sector at the signing ceremony was M.R. Kasemsamoson Kasemsi, while John F. McDonald represented the U.S. side.

Suphachai said that the agreement marks another step of progress in the promotion of bilateral trade. As everyone knows, Thai-U.S. trade over the past several years was seen to be solely a matter of bargaining. After the two governments initially solved the problem to a certain extent, the private sectors are now finding ways to promote business operations.

Suphachai said the council will advise on trade talks between the governments of the two countries. In a meeting to be held in Washington within the next two weeks, council proposals will be considered.

M.R. Kasemsamoson, chairman of the Thai side of the council, said that American businessmen have formed business councils with other countries, such as Japan and Korea, and they are doing well. Therefore, establishment of this organization will pave a positive path for both sides. In the past, Thailand had to resort to ASEAN channels, which are not convenient as the six ASEAN members do not always share the same interests. In this regard, the Thai prime minister proposed formation of the council to President Clinton during the meeting of APEC leaders in Seattle last year. After Clinton agreed with the idea, businessmen collected funds from about 40 sources. Each agrees to contribute 200,000 baht a year [approximately \$8,000] to the council.

The council will begin meeting at a venue yet to be decided—either Bangkok or Washington. They will try to help each other in encouraging joint investments in order to facilitate the transfer of technology, something desired by the Thai side. Should there be any obstacles to

investment, suggestions would be made to each government in order to rectify problems and produce mutual benefits.

*** Air Force General Criticizes U.S. on Arms Sales**

94SE0247A Bangkok NAE0 NA in Thai 9 Aug 94 p 2

[FBIS Translated Excerpt] In an interview, Air Chief Marshal Kriangkrai Sinthawanon, the Air Force chief of staff, talked about the matter of an Air Force F-16A pilot sending a letter to General Wichit Sukmak, the minister of defense. In that letter, the pilot voiced his opposition to the Air Force's purchase of trainer aircraft. Air Chief Marshal Kriangkrai said that this story is true but that the details as reported in the press are not entirely correct.

This began during the time that Air Chief Marshal Kaset Rotchananin was the Air Force commander-in-chief. At that time, Air Chief Marshal Siriphong Thongyai, the then assistant Air Force commander-in-chief, was the chairman of the procurement committee. Even after he became Air Force commander-in-chief, Air Chief Marshal Siriphong continued to serve as chairman. This issue has arisen because of the great competition among arms dealers, who are all trying to earn money from this.

"Besides this, others in the Air Force are lobbying to get me to purchase weapons from the the United States instead. But after looking into this, I don't think that the American companies have been honest with us. We have signed a contract with the Linkmaia Company, which has saved us more than \$20 million." [passage omitted]

Governor on Results of Thai-Lao Border Meeting

BK0710111594 Bangkok Radio Thailand Network in Thai 0530 GMT 7 Oct 94

[FBIS Translated Text] Wichan Chaiyanan, governor of Phayao province, and Thongban Seng-aphon, chief of the Xianghon-Hongsa special area of Lao People's Democratic Republic, on 7 October, signed the minutes of the meeting of the Thai-Lao border peacekeeping coordination committee. The meeting took place at the town hall of Phayao Province and was attended by officials of both countries.

Reporting to the press on details of the meeting, Governor Wichan Chaiyanan said both sides had drawn up measures for control of passages at Kiu Hok border point, which had been designated as a temporary pass between Ban Huak in Chiang Kham District of Phayao Province and Ban Pangmon, Mouang Khop, in Xianghon-Hongsa. In peacekeeping along the Thai-Lao border, both sides will jointly step up control and suppression of groups or individuals with intentions to undermine Thai-Lao relations, prevention of border-area thefts, prevention and suppression of smuggling, abduction of women for prostitution, and narcotics trafficking. Measures have also been drawn up to solve problems of illegal immigrants and trading of consumer products of

less than 30,000 kip, or 1,000 baht per person per trip, and the appointment of a subcommittee for coordination of border efforts.

*** Traders Complain Over Burma Border Clampdown**

94SE0247C Bangkok NAEO NA in Thai 24 Aug 94 p 30

[FBIS Translated Text] Mr. Somchet Wiriyadamrong, the governor of Mae Hong Son Province, told NAEO NA that because of the fighting that is going on between the minority groups and Burmese Government, with some of the fighting taking place in places along the border between Burma and Mae Hong Son Province, Lieutenant General Yingyot Chotphimai, the 3d Army Region commander, has asked the units concerned to monitor the border closely and be very careful.

At the same time, the 3d Army Region commander has ordered the closure of several of the border transit points in Mae Hong Son Province. As a result of this, border trade in several places, particularly at the markets in Mae Hong Son Province, has declined greatly. Many merchants have submitted appeals to the province, asking the province to quickly find a way to solve the problem before losses increase to more than 100 million baht.

"Based on what has happened and on the petitions that have been submitted, the province has taken action. We sent an urgent report to Lieutenant General Yingyot Chotphimai, the 3d Army Region Commander, asking him to find a suitable way to deal with this situation. Besides this, we are trying to prevent things from escalating and keep people from staging demonstrations. We want the 3d Army Region to find a way to relax the strict measures that have been implemented. But that must not affect security along Thailand's border either."

The governor of Mae Hong Son Province said that opening fraternal trade points would be good, but that can't be done immediately because of the present situation. According to military intelligence reports, the present situation is not very good. Some consumer goods are strategic materials that might fall into the hands of the minority group forces, and that might prolong the fighting.

This is a very complex issue that has to do with international relations. The decision is not up to officials at the local level. It is the policy-makers who will have to decide what to do, because this is a political and security matter that is beyond the capabilities of people at the local level. They do not have access to all the pertinent information.

"I think that this will affect both tourism and trade. Provincial officials want the people to know that we are not sitting by idly. We have submitted suggestions to the 3d Army Region and to the ministry. But this will take time," said Mr. Somchet in conclusion.

New Supreme Commander Outlines Policies

BK0710050394 Bangkok THE NATION in English
7 Oct 94 p A7

[FBIS Transcribed Text] New Supreme Commander Gen Watthanachai Wuthisiri yesterday met 240 senior military officers and heads of agencies under his control and reaffirmed major policies, confirming the military fully supports democracy and will not interfere in politics. Watthanachai said these policies formed the basis of a sound and efficient working relationship.

The policies he outlined:

- The military will remain united and always serve the nation and the public.
- The military will ensure national security and protect the country's interests.
- The military will not interfere in politics or government affairs. It will act in accordance with government policies and support the democratic system.
- The military will collaborate with the government and private sectors to develop the country, and help with disaster relief.
- The military will promote military relationships with foreign countries, especially neighbouring nations in Southeast Asia, to ensure better mutual understanding and the ability to resolve any problems which arise.

He said if problems occur with Cambodia or Malaysia, the military will attempt to settle them by negotiation. It will seek help from the government if agreement cannot be reached.

Officers should strive to the best of their abilities to ensure the public feel at ease and the government is free to run the country without hindrance. He said politics was thriving under the democratic system, but he did not believe that politicians would interfere in military affairs. Politicians and the military would focus on their respective jobs.

Amending the Constitution was the responsibility of Parliament and would not lead to chaos or violence, he said.

The new supreme commander said training and discipline within the military should be improved and reinforced. However, no problems concerning the "class" of officers would arise and nothing needed to be corrected because all officers lived and worked like brothers.

He added he and Army Commander-in-Chief Gen Wimon Wongwanit were good friends and played golf together. He did not believe there were any problems between the various branches of the armed forces. If any arose, he was confident he would be able to settle them.

*** Paper Sees Continuing Police Corruption**

94SE0247B Bangkok NAEO NA in Thai 23 Aug 94 p 2

[FBIS Translated Excerpt] The special subcommittee to consider the 1995 budget has decided to cut the budget

of the Police Department by 143 million baht. The department's budget had been set at 30,295 million baht. [passage omitted]

During a subcommittee meeting, Police General Prathin Santipraphop, the director-general of the Police department, admitted that some policemen have become quite wealthy by engaging in corruption. That statement has hurt the feelings of many honest policemen throughout the country. Some of these people inherited their wealth, and others are wealthy because their wives are wealthy. But as Police General Prathin said, there are many who obtained their wealth dishonestly. The activities that they are involved in certainly include such things as brothels, illegal lotteries, trafficking in contraband goods, and taking bribes for "doctoring" case files.

Something that must be admitted is that to become a policeman, whether private or lieutenant, many people have to pull stings. If they are lucky and have parents of wealth and position, they can move straight ahead. But some have to sell their possessions and land to become a policeman. And once they do, it's only natural that they dream of recovering their investment. Some cheat even their comrades. Thus, the people have a very poor image of the police. The image of the military, on the other hand, has improved, because people know that military officers try to take care of their subordinates in order to have good combat forces.

But the image of the police is that subordinates have to make regular payments to their superiors. Thus, their efficiency and the image that people have of them is different. The important thing is that the Police Department does not teach policemen to be selfless civil servants. This is clear from the fact that unlike other civil servants, few commissioned police officers or police privates are willing to dress in their uniforms and take the bus to work. [passage omitted]

Vietnam

Vo Van Kiet Receives Visiting PRC Delegation

*BK0610150594 Hanoi VNA in English 1432 GMT
6 Oct 94*

[FBIS Transcribed Text] Hanoi VNA Oct. 6—Prime Minister Vo Van Kiet received here this afternoon the visiting delegation of Beijing led by Mr. Chen Xitong Politburo member of the Communist Party of China Central Committee, secretary of Beijing's Party Committee and supreme advisor of the city's authorities.

Speaking to his guest, Prime Minister Vo Van Kiet welcomed the visit [word indistinct] for the improvement of the friendship and cooperation between the two cities in accordance with the well-valued tradition of the Sino-Vietnamese relationship. He also expressed his joy at the growing development of the relationship in the spirit of the agreement reached between the party and state leaders of the two countries. The prime minister

also extended his congratulations to the Chinese people on their great achievements in the reform and open-door process, and expressed his firm belief that the friendship, cooperation and mutual assistance between the two countries will further be consolidated, and developed.

On this occasion, Mr. Chen Xitong expressed the acknowledgement of the friendly sentiments granted by the party, authorities and people of Hanoi to the people of Beijing in particular and China in general. He spoke highly of the multisided achievements that the Vietnamese people had obtained in the renovation process, and the fine development of the friendship and cooperation between the two cities and the two countries. He affirmed that the party, state and people in China always strive to maintain and develop the solidarity, friendship and mutual assistance between the two parties and the two countries.

Results of Phan Van Khai's China Visit Hailed

*BK0710111394 Hanoi Voice of Vietnam in English
1000 GMT 7 Oct 94*

[FBIS Transcribed Text] Vietnamese Deputy Prime Minister Phan Van Khai stated: His trip to China aimed to promote bilateral economic cooperation between Vietnam and China. He was speaking upon his return to Vietnam at Hanoi's Noi Bai airport.

Mr. Khai had talks with Chinese Prime Minister Li Peng and Deputy Prime Minister Zhu Rongji. Both Vietnamese and Chinese leaders agreed to develop bilateral economic ties. Two-way trade turnover currently is only \$500 million. China ranks 30th among foreign investors in Vietnam with a total capital of \$16 million. This figure remains too modest, according to both Vietnamese and Chinese leaders.

It is encouraging that during the trip, both sides realized the necessity to boost bilateral comprehensive cooperation in accordance with its potentials. The Chinese leaders even affirmed that in the future, they would encourage major Chinese enterprises to study conditions and set up joint ventures with Vietnamese partners. Chinese companies formerly had already invested in Vietnam through Hong Kong.

Deputy Prime Minister Phan Van Khai also stated: From now on, Vietnam should streamline its licensing regulations to promote the investment process.

China has also set up investment banks to encourage investments in foreign countries.

During his visit to Vietnam in November 1992, Chinese Prime Minister Li Peng promised to provide Vietnam a \$14 million loan to enlarge the Ha Bac fertilizer factory, the 8 March textile mills, a number of state water supply systems, and small-scale hydropower electric stations for mountainous regions.

During this trip to China by Deputy Prime Minister Phan Van Khai, Chinese Deputy Prime Minister Zhu

Rongji pledged a \$117 million loan to upgrade the Thai Nguyen iron and steel complex. Although Vietnam and China did not sign any agreements during the deputy prime minister's trip, it prepared grounds for the signing of an agreement on the quality control of export goods when Chinese President Jiang Zemin visits Vietnam.

On this occasion, Vietnam proposed to set up a joint committee to promote trade ties in accordance with large-scale investments in Vietnam. There is great potential in bilateral cooperation between Vietnam and China. The focus on bilateral economic cooperation is suitable with common trend in the world. Strictly implementing the 1991 agreement to solve all disputes through dialogues would create favorable conditions for Vietnam and China to develop bilateral economic cooperation.

Concern Voiced Over Cambodia's Immigration Law

*BK0610133794 Hanoi Voice of Vietnam in English
1000 GMT 6 Oct 94*

[FBIS Transcribed Text] The Cambodian newspaper THE PHNOM PENH POST has in the last two weeks run the full text of a letter by Mr. (Hamso), president of the Khmer Religious Association, saying that the Vietnamese leaders' letter to King Sihanouk expressing their worry about the regrettable consequences for Vietnamese nationals living in Cambodia if the Cambodian Immigration Law comes into force was an interference in Cambodia's internal affairs. On this issue, our editor has this to say:

Vietnamese leaders expressing their concern about the possible negative effect on Vietnamese nationals living in Cambodia if the immigration law is enforced is not an interference in the internal affairs of Cambodia. This is an action which stems from responsibility and sentiments toward their Vietnamese compatriots living there. Though these people may have lived legally in Cambodia for many generations, their homeland is still concerned about their lives and shares with them weal and woe. As they always turn their thought to their homeland, it is a normal practice. It would be surprising if a country does not show concern for its compatriots living far from their homeland. Just recently, when the Lithuanian government was declaring a decree which included discriminatory provisions against Russians, President Yeltsin immediately asked the Lithuanian Government to respect and protect the rights of Russian citizens. Was that also interference in the internal affairs of Lithuania?

Vietnam immediately respected the Paris agreement on Cambodia and did not take any actions which interfere in the internal affairs of Cambodia. These have been recognized by King Sihanouk. The two Cambodian prime ministers, Ranariddh and Hun Sen, during their visit to Vietnam in 1992 expressed gratitude to Vietnam for helping Cambodia topple the genocidal regime and then implementing the Paris agreement.

Vietnam is worried about Cambodia's Immigration Law. The law has provisions stipulating rigid procedures on immigration, on visas, on the right for movement, residence, and earning a living for foreigners on Cambodian territory.

An official of a human rights agency operating in Cambodia described the law as someone with diamond rings on his fingers waiting for investors with the one hand and stabs a poor immigrant with another hand with a long, sharp knife. Article 2 of the law stipulates that whoever does not have Khmer nationality is considered a foreigner. This short sentence creates grave concern as it provides a base for a purification campaign or ethnic cleansing. Meanwhile, there is no legal definition yet which determines Cambodian nationality.

The fact is that at present, many Cambodians of Vietnamese origin and overseas Vietnamese living in Cambodia lost their papers during more than 20 years of war in that country. If we don't take into consideration this fact, if immigration law is implemented, many Vietnamese who have been residing for many generations in Cambodia will simply become illegal foreigners and may be outsted.

Stemming from this fact and for the traditional friendship between the two peoples, the Vietnamese leaders have asked the Cambodian government and National Assembly to reconsider some provisions of the law. At the same time, Vietnam has also asked for negotiations between the two countries to seek a reasonable solution to this issue in the interest of both countries.

We think Vietnam, which helped the Cambodian people to topple the genocidal Khmer Rouge regime, will easily settle this issue with Cambodia. Moreover, the two countries still maintain good neighborliness. Cambodian journalist (Pin Savong) filed an article from Paris to the newspaper GLOBE last week saying that at present Cambodians were living in peace without genocidal threat. This was thanks to Vietnam. A handful of food even when you are hungry is just like a large package when you feel (?full). He said that's why Cambodians have to treat Vietnamese well, so that no one could call Cambodians ungrateful.

Do Muoi Addresses Party Building Conference

*BK0710130094 Hanoi Voice of Vietnam Network in
Vietnamese 2300 GMT 6 Oct 94*

[FBIS Translated Text] In Hanoi on 5-6 October, the Central Committee Organization Department and the Hanoi party committee jointly organized a conference to review progress in implementing the Central Committee's third plenum resolution on renovating and revamping party efforts in universities and colleges in Hanoi during the past two years. Party General Secretary Do Muoi attended and addressed the conference.

The Hanoi university and college organization is composed of 32 party organizations, 581 party chapters, and

7,300 party members, including 6,500 cadres, teachers, personnel, and workers. The implementation of the third plenum resolution has resulted in obvious changes at several party organizations. Many of them have resolved various pressing issues and are making progress.

Generally speaking, implementation of this party resolution during the past two years has helped party members consolidate their confidence in the party leadership and the advancing path of the nation. It also helped some of our intellectuals overcome their reluctant attitude and wrong ideas. Shortcomings are still prevalent at these party organizations, however, with especially weak leadership at some party chapters, including the student party chapter. This can be seen through their poor and inconsistent activities.

Addressing the conference, Do Muoi stressed that the supervision of party building tasks at universities and colleges plays a very important role, not only in Hanoi but also in other provinces and municipalities that have universities. He urged universities and colleges to continue to improve their teaching, apply the new management mechanism, and strengthen their training programs. Efforts must be made to ensure that the training plans meet the qualitative and quantitative requirements of the socioeconomic development program. He urged the agencies concerned to continue to step up the movement against corruption and other social vices at universities, strive to develop the party building task; supervise mass organizations, youth, and students to satisfactorily carry out their functions; and organize emulation drives to improve learning and teaching methods while motivating the students to carry out their activities in a more active manner.

Importance of Council Polls in Reforms Noted

BK0710044094 Bangkok THE NATION in English
7 Oct 94 p A9

[Report by Terry Hartney]

[FBIS Transcribed Text] Next month's nation-wide elections for People's Councils in Vietnam will not grip international attention. They represent provincial and local government elections in a country as famous as any for an unwieldy bureaucracy. Yet the Hanoi government sees small but important evolutionary political steps occurring. Firstly, the laws covering People's Councils elections have been amended to clarify the role of independent candidates therefore encouraging them to stand.

And secondly, the role of these elected councils, from provincial and city through to district and village level, is expected to become more important as Vietnam attempts to streamline its bureaucratic processes to suit economic and social development.

The changes reflect the Communist Party's own internal renovation process, as it increasingly sees a controlled

need to continually legitimize itself. The Hanoi government declares it's not only carrying out economic reforms, but in the words of Hoang Bich Son, chairman of the National Assembly External Relations Committee, Vietnam "wants to create favourable conditions for Vietnamese citizens to exercise their rights".

The committee chairman emphasized to a recent session of the World Inter-Parliamentary Union in Copenhagen that his country had signed and ratified eight international conventions on human rights, covering political, civil, economic and cultural rights. It is in this light the amendments to the laws on People's Councils elections can be viewed.

For the first time there is a specific clause relating to independent candidates. It brings the elected local government councils into line with the National Assembly. It has been possible for non-communist Party members to stand for election to the National Assembly for many years but it has only been recently that the process for such candidates has been clarified in law. Accordingly, independent observers say the 1992 National Assembly elections produced a national parliament that is better educated, with fewer cadres, than its predecessors. It is expected the November People's Councils elections will follow a similar path.

However the Vietnamese political system's great stress on "national unity" continues to hold sway. All independent candidates have to have their applications endorsed by the Fatherland Front a national umbrella organization for many different organizations.

National Assembly vice chairman Phung Van Tuu was quoted on Radio Voice of Vietnam last week as saying that democracy should not be understood as "free elections" when discussing the new provisions for independent candidates for the People's Councils. He claimed election campaigns in Western style democracies were tawdry affairs, virtual wrestling matches between political parties for power, and because election campaigns were costly, they were reserved for the rich.

As for Vietnam, Tuu said "the People's Council elections should be held in real democracy in accordance with the law, safety and thrift, with a festive atmosphere".

It is more the ability of the new councils to operate effectively that perhaps is the key question. The Hanoi administration continues to grapple with an overlapping system that in the past has not drawn clear lines between the roles of the elected councils (National Assembly at a national level), the Party committees (membership based) and the bureaucratic People's Committees.

In fact, it is modern Vietnam's biggest problem in confronting economic reform and social development, according to many observers. Examples include the State Committees for Cooperation and Investment (SCCI), allegedly a one-stop centre for foreign investors, issuing a licence with certain conditions for joint venture or other

business activities, but then with the company concerned finding that the local Peoples Committee, where the actual project is located, insisting on changes to the already-negotiated provisions at a national or central level.

"This administrative problem is an old one for us", says a Hanoi academic. "Now we need to have a smoother and more uniform system than ever before because of international investment."

It is not clear how next month's elections for the People's Councils will figure in the reformation of the bureaucratic process. Many more independent candidates may find themselves elected. Yet the vexed question of overlapping responsibilities with the bureaucracy and the Communist Party retains.

* Lawyer Explains Contents of New Labor Law

942E0097 Ho Chi Minh City SAIGON GIAI PHONG
in Vietnamese 4-6, 8 Aug 94 p 3

[Articles by lawyer Nguyen Thanh Binh]

[4 Aug p 3]

Labor Discipline

[FBIS Translated Text] One of the obligations of laborers is to obey the labor laws, respect the command, control, and managerial rights of those who employ laborers, and protect the assets, commodities, machinery, and means of the organizations and units where they work. If a worker violates the labor laws or regulations or harms the material interests of the employer, he must be disciplined and pay material compensation. In order to build correct labor relations and protect the interests of both laborers and employers, the Labor Law stipulates measures for disciplining workers and the material responsibilities of workers. Labor discipline and material responsibilities (responsibility for paying damages for damage done to assets) are procedures that are applied to laborers in the agencies and organizations that employ laborers.

Above all, the Labor Law stipulates that "labor discipline encompasses the various stipulations on monitoring time periods, techniques, and production and commercial control manifested in the labor regulations." Also, "enterprises with 10 or more workers must have written labor regulations." (Article 82 of the Labor Law) Labor regulations must include the following contents: work and break times, order within the enterprise, labor safety, labor sanitation in the work place, the protection of the assets and technical and commercial secrets of the enterprise, actions that violate labor discipline, and forms of labor discipline and material responsibility. Each person must be notified of the labor regulations, and the main points of the regulations must be posted in the enterprise.

The forms of labor discipline include: giving reprimands, transferring people to a lower-paying job for a maximum of six months, and firing people. As for the various measures for disciplining workers that have long been in use, the Labor Law has eliminated such forms as issuing warnings and lowering a person's technical grade and put a limit on how long a person can be made to work at a lower-paying job (previously, there was no stipulation on how long a person could be made to work at another job). As for firing workers, that can be done only in the following situations:

If the worker is guilty of theft, corruption, or the disclosure of technical or commercial secrets or if he has committed some other act that has done serious damage to the assets and interests of the enterprise.

If, after being disciplined by being transferred to another job, the worker commits another violation within the disciplinary period.

If the worker is absent from work seven days in one month or 20 days in a year without a legitimate reason.

A new problem of the labor discipline system that is addressed in the Labor Law is the issue of a statute of limitations on labor discipline and disciplinary time limits. The law stipulates that labor infractions must be dealt with within three months after the violation occurs. In special cases, this may be extended up to six months. (For example, if Mr. A steals enterprise property on 1 July 1994, the enterprise must take action by 1 October 1994; otherwise, the statute of limitations has expired.) Three months after a person has been reprimanded and six months after a person has been transferred to a lower-paying job, unless he commits another violation, his period of discipline will end. When disciplining a worker, the employer must prove that the person has committed an infraction, and the worker who is being disciplined has the right to represent himself or use a lawyer or someone else to represent him. A representative from the Trade Union Executive Committee must participate in the process of disciplining workers.

In order to elevate the concept of obeying the regulations and protecting enterprise assets, the Labor Law stipulates the material responsibilities of workers who have caused material damage:

Workers who damage tools or equipment or who damage enterprise assets must pay compensation. Even if they cause only slight damage through carelessness, they must pay compensation. The maximum that they will be required to pay, however, is three times their monthly salary, with the money taken from their salary.

Workers who lose tools, equipment, or other assets entrusted to them by the enterprise or who waste materials in excess of the amounts permitted must, depending on the specific situation, compensate the enterprise in part or in full depending on market prices. If there is a contract, they must pay compensation based on the

commitments made by the two sides when signing the contract. If a worker who has caused damage has a valid reason for his actions, he will not be required to pay compensation.

The Labor Law also stipulates measures for temporarily suspending workers who have committed a violation. But in order to ensure that suspensions are given only when necessary and that this does not harm the rights of workers and to ensure the fairness of labor discipline and the managerial effectiveness of the employers, the Labor Law stipulates:

Employers have the right to temporarily suspend workers who violate labor discipline in cases in which the violations involve complex circumstances and permitting the worker to continue working would cause difficulties for making a determination. If cases in which it is necessary to temporarily suspend a worker, the employer must obtain the opinion of the trade union.

Temporary suspensions must not exceed 15 days. In special cases, workers may be suspended for a period not to exceed three months. This time period ensures that employers will have time to deal with the violations. Also, they must deal with the matter urgently in order to protect the legal rights of the workers. Prior to suspending a worker, the employer must advance the worker 50 percent of the salary that he would have earned in that period. At the end of the suspension, if the worker is innocent, the employer must pay him the balance of his salary and allowances. If a worker is guilty and is disciplined, he does not have to repay the advance on his salary, and the employer does not have the right to demand that this be repaid.

In order to manifest the democratic, open, and correct nature of the system of labor discipline, the Labor Law stipulates that workers who are disciplined, temporarily suspended from work, or forced to pay material compensation and who do not feel that this is fair have the right to appeal to the agency with jurisdiction. Or they can request that the labor dispute be resolved in accord with legal procedures. In cases in which the agency with jurisdiction concludes that the employer's decision was wrong, the employer must annul that decision and make a public apology to restore the honor and material rights of the worker.

In order to ensure the legal interests of both workers and employers and establish a correct labor relationship, both employers and workers must adhere strictly to the stipulations in the Labor Law on labor discipline and material responsibilities.

[5 Aug p 3]

Rules for Special Workers Outlined

[FBIS Translated Text] In addition to the general stipulations applicable to all types of workers, the Labor Law also has separate stipulations for female workers, child workers, elderly workers, disabled workers, workers with

high technical standards, workers who work for foreign organizations or individuals in Vietnam, foreigners working in Vietnam, and Vietnamese working abroad.

1. Female workers

The viewpoint of our country's female labor policy is expressed in the Labor Law. That is, the Labor Law manifests the principle that female workers are equal to male workers in all respects. The law prohibits employers from doing anything that discriminates against, offends, or degrades female workers. The law requires employers to implement the principle of male-female equality in hiring, using, promoting, and paying workers. They must give priority to hiring women when those people are qualified for jobs suited to both men and women. They cannot dismiss or unilaterally cancel the labor contracts of female workers just because they get married, become pregnant, take maternity leave, or have children less than a year old. Female workers have the right to unilaterally cancel the labor contract without paying compensation if they have a letter from a doctor stating that continuing to work would pose a danger to the fetus. Female workers may take four-six months of maternity leave prior to and after giving birth depending on the nature of the job. (The Labor Law has entrusted the government with the task of stipulating the types of jobs and maternity leave periods for female workers.) If a female worker gives birth to twins or an even greater number of children, she must be given an additional 30 days leave for each child starting with the second child. At the end of her maternity leave, if necessary, the female worker can take additional time off without pay with the consent of the employer. Female workers also have the right to return to work before the end their maternity leave period on condition that they have taken at least two months off following the birth of their child and they have a doctor's letter stating that returning to work will not affect their health. Those who return to work early are entitled to receive their pregnancy allowance in full in addition to the wages earned after returning to work. After a woman's pregnancy leave is up, including any time off without pay, the woman must be guaranteed a job.

In addition to the above stipulations regarding female workers, the Labor Law also contains many other stipulations that employers must implement with respect to female workers.

They cannot use female workers to do heavy work or dangerous jobs or require them to regularly work in mines or underwater. They cannot use female workers who are more than seven months pregnant or who have children under a year old to work overtime, work at night, or work away from home.

Employers must provide female workers with a place to change their clothes, a bathroom, and a women's washroom.

Places that employ large numbers of women must organize day nurseries and kindergartens, or help pay part of

the expense incurred by female workers in sending their children to a day nursery or kindergarten. Enterprises that employ many female workers must assign someone in the leadership apparatus to monitor the problems of female workers. If it is determined that a problem is related to the rights and interests of women or children, they must discuss the matter with the representatives of the female workers.

Employers must give female workers a 30-minute break each day during their menstrual period. Those who are raising children below 12 months of age are entitled to a 60-minute break each day, and they are entitled to receive their full salary. During periods when female workers take time off to go for medical examinations or implement family planning measures, take time off because they have had a miscarriage, or take time off in order to look after children below age seven who are ill or to adopt a new-born infant, they must be paid a social insurance allowance, or their employer must pay them an amount equal to the social insurance allowance.

2. Child workers

Child workers are workers below the age of 18. Child workers are not permitted to work more than 7 hours a day or 42 hours a week. The Labor Law prohibits hiring children below the age of 15 except in a number of jobs approved by the state. (The Ministry of Labor, War Invalids, and Social Welfare has stipulated which occupations can employ children below the age of 15. Naturally, those must not be jobs that could affect the health of the children.) In cases in which workers below the age of 15 are hired to do a job or undergo apprentice training, the parents or guardians must agree and monitor things. The Labor Law prohibits the misuse of child workers. Child workers must be assigned jobs appropriate to their health. They cannot be assigned to do heavy or dangerous jobs. They cannot be made to work overtime or work at night except in jobs where this is permitted by law.

3. Elderly workers

Elderly workers are male workers over the age of 60 and female workers over the age of 55. In their final year of work before they retire, elderly workers will be permitted to work fewer hours each day, or measures on not working a full day or full week will be applied. (The Labor Law has entrusted the government with the task of issuing specific regulations on this.) Employers are responsible for looking after the health of the elderly workers. They cannot use elderly workers to perform heavy or dangerous jobs or come in contact with dangerous substances that could endanger their health. When necessary, employers can reach an agreement with elderly workers on extending the labor contract period or draw up a new labor contract. After retirement, if they do work based on the new labor contract, in addition to their rights based on the pension system, elderly workers will also have the rights agreed on in the labor contract.

4. Disabled workers

Above all, the Labor Law has affirmed the policy of protecting the work rights of, helping, promoting the hiring of, and creating jobs for disabled people. Places that accept disabled people for apprentice training will be entitled to a tax deduction, they will be permitted to borrow money at a low rate of interest, and they will be entitled to receive favorable treatment in order to enable disabled people to train for a job.

Apprentice training installations and commercial production installations reserved specifically for disabled people must obey the regulations on labor conditions, labor tools, labor safety, and labor sanitation as appropriate for disabled workers. Employers are prohibited from allowing people who are more than 51 percent disabled to work overtime or work at night. Also, they are prohibited from using disabled workers to do heavy and dangerous work.

Disabled workers are not permitted to work more than 7 hours a day or more than 42 hours a week.

5. Workers with high technical standards

Workers with high technical standards have the right to do more than one job or hold more than one position based on signing labor contracts with many employers on condition that they are capable of fully implementing the contracts signed. Also, they must notify the employers of this.

Workers with high technical standards have the right to take a long-term leave of absence without pay or with part pay in order to conduct scientific research or to take additional training to raise their standards. On their return, they must be guaranteed a job as agreed on with the employer. When they reach retirement age, if the employer needs their services, they can continue working based on signing a new labor contract with the employer.

In particular, the Labor Law permits employers to sign labor contracts with all workers with high technical standards, including state civil servants, unless the regulations specifically prohibit this.

The above regulations clearly show that the labor policies of the party and state are aimed at elevating "brain power" and creating favorable conditions to enable our brain power to be exploited fully and used effectively in order to raise productivity and improve quality in labor.

6. Workers who work for foreign organizations or individuals in Vietnam, foreigners working in Vietnam, and workers living abroad

The general principle of the Labor Law is that people working for foreign organizations or individuals in Vietnam and foreigners working in Vietnam must obey Vietnam's labor laws. And they are protected by these laws.

All foreign enterprises, agencies, organizations, and individuals that want to hire Vietnamese workers must go through a job service organization. If the job service organizations cannot satisfy their needs, they have the right to recruit people directly, but they must inform the labor agency.

The minimum wage for Vietnamese workers working for foreign organizations or individuals will be set by the government, and the foreign organizations and individuals must adhere to this.

Foreigners working full-time for a Vietnamese organization or individual or for enterprises operating with foreign investment capital must obtain a permit from the Ministry of Labor, War Invalids, and Social Welfare. They will enjoy all the rights and must fulfill all the obligations as stipulated by Vietnamese law.

Vietnamese citizens who have been granted permission to work abroad must obey the laws of the host country. They have the right to send income in foreign currency and personal assets back home. They are entitled to the rights granted by Vietnamese labor laws and the laws of the host country, and they must contribute part of their salary to the social insurance fund.

7. Stipulations with respect to a number of other types of workers

With respect to those who are involved in artistic activities, a number of special regulations on apprentice training age, labor contracts, work times, rest periods, wages, allowances, compensation, and so on will apply. (The Labor Law has entrusted the government with the task of issuing specific regulations on these issues.)

The policies and principles applicable to those who work for a salary do not apply to workers who do work on contract at home. However, workers who regularly work at home with the consent of their employer enjoy the same rights as if they were working at the enterprise.

Household workers may reach an oral labor agreement with the employer, but if the worker is responsible for any assets, a written contract must be signed. Employers must respect the dignity of the household worker and are responsible for looking after the worker when he or she becomes ill or is injured. Employers must pay wages and allowances and adhere to the work and rest times as stipulated in the labor contract. Employers must also pay for the trip home when the household worker quits working for them and returns home, unless the household worker voluntarily quits the job before the contract expires.

[6 Aug p 3]

Labor Safety, Health Care, Pensions

[FBIS Translated Text] Our country's Labor Law was formulated based on the very important principle that it is essential to ensure the safety and health of workers and

maintain their standard of living when they are working as well as after they retire or quit working for legitimate reasons. The Labor Law has formulated labor safety measures, labor sanitation measures, and social insurance measures with the following basic stipulations:

1. Labor safety and sanitation measures:

Above all, the Labor Law stipulates that employers are responsible for providing adequate means to protect the workers, implement the labor safety and labor sanitation measures, and improve the work conditions for the workers. Workers must obey the stipulations concerning labor safety and labor sanitation and the internal labor regulations of the enterprise.

The responsibilities of employers in implementing the labor safety and labor sanitation measures include:

Employers must ensure that the work place meets the standards concerning space, ventilation, and amount of light. They must also ensure that the work place meets the sanitation standards concerning dust, poisonous gases, radioactivity, electromagnetic fields, heat, humidity, noise, motion, and other dangerous factors.

Employers must periodically inspect and repair the machinery, equipment, workshops, and storehouses based on the labor safety and labor sanitation standards. There must be adequate means to cover those parts of the machines and equipment that could easily cause accidents. Measures must be taken to prevent accidents, and there must be an instructional booklet concerning the labor safety and labor sanitation measures.

Employers must provide adequate means of protection to workers who perform dangerous tasks.

When workers are hired, they must be given training and guidance, and they must be notified of the regulations, labor safety and sanitation measures, and precautions that must be taken to prevent accidents.

Employers must arrange for workers to have a physical examination when they are hired and for them to be examined periodically in accord with the regulations. Employers must pay for these examinations.

Employers must look after the health of the workers and promptly provide first aid and emergency treatment for workers when necessary. If workers work in places where there is danger of infection, at the end of the work shift, employers must implement measures to disinfect the workers and implement personal hygiene measures.

Employers cannot force workers to continue doing jobs or return to jobs that pose a serious threat to their lives or health. Workers have the right to refuse to do such dangerous jobs.

Employers must implement the regulations on paying material compensation and provide favorable treatment to workers who work in dangerous conditions.

Stipulations on labor accidents and on dealing with labor accidents and occupational diseases:

Labor accidents are accidents that physically injure or kill workers during work, and they are related to performing the job or carrying out the labor task. Those who are injured must immediately be given first aid and treated carefully. Employers are responsible for having allowed a labor accident to occur in cases in which the law stipulates that employers are to be held responsible.

Occupational diseases are diseases that arise because of the dangerous working conditions in which workers must work. People suffering from occupational diseases must be treated carefully. They must be examined on a regular basis, and separate health files must be kept on them.

Employers must pay all the expenses for treating those involved in labor accidents or those who suffer from an occupational disease. Also, they must pay compensation equal to at least 30 months of pay to workers whose labor capabilities have been reduced by 81 percent or more or to the relatives of workers killed in a labor accident or who have died from an occupational disease unless this was due to negligence on the part of the worker. (In cases in which an accident occurs or a worker contracts a disease because of his own negligence, the worker is still entitled to a minimum of 12 months pay.)

2. Social insurance measures

Social insurance measures are measures to provide workers and their families with materials in cases in which workers become ill, are ready to give birth, are ready to retire, are killed or injured in a labor accident, lose their job, or encounter risks or other difficulties.

When they become ill, workers can be examined and treated at a public health installation in accord with the public health insurance system. If they must take time off from work for treatment, they are entitled to an illness allowance to be paid from the social insurance fund.

In cases in which a worker must take time off from work for treatment because of a labor accident or occupational illness, the employer must pay the worker his or her wage and pay for the treatment. After being treated, the worker must be given a physical examination to determine the degree of the disability in order to pay the worker an allowance one time or monthly from the social insurance fund. If a worker is killed in a labor accident or dies from an occupational illness, his or her relatives are to receive the death benefits, which includes money for burial (the government will issue specific stipulations on money for burial) and a monthly allowance based on the aid measures for children below the age of 15 and parents who were being supported by the worker. (With respect to workers who started working at a state enterprise prior to 1 January 1985, the Labor Law stipulates that the time period calculated is the period that they

contributed to the social insurance fund. Those who are receiving a pension, a monthly allowance for loss of labor strength, a labor accident, or an occupational illness, or relief funds paid out of the state budget will continue to receive these, and the amounts will be adjusted in accord with the social insurance measures.)

As for female workers who have contributed to the social insurance fund, during the time that they are off work while having a baby, in addition to receiving their regular salary, they will also be paid an allowance equal to 1 month's salary when they give birth to their first or second child.

Retirement measures that have been stipulated:

If the worker is 60-year-old male or a 55-year-old female and has contributed to the social insurance fund for 20 years or more, he or she will be paid a monthly pension.

If the workers do not meet the age requirement but have contributed to the social insurance fund for 20 years or more, men at least 50 years old and women at least 45 years old whose health has declined by at least 61 percent will be paid a monthly pension.

If the workers are old enough to retire but they have not contributed to the fund for at least 20 years, if they have contributed for at least 15 years they will be paid a monthly pension.

If workers who have engaged in particularly heavy and dangerous work have contributed to the social insurance fund for 20 years or more and their labor capabilities have declined 61 percent or more, they will be paid a monthly pension regardless of their age.

Workers who do not meet the age requirements and who have not contributed to the social insurance fund for the necessary length of time will receive a one-time allowance.

The amount of the monthly pension and one-time allowance in the above situations depends on the amount of money and length of time that they have contributed to the social insurance fund. (The Labor Law has entrusted the government with the task of stipulating specific circumstances.)

In order to implement the social insurance measures, the Labor Law stipulates that there must be a social insurance fund. This fund will receive money from four sources: Employers must contribute an amount equal to 15 percent of gross wages. Workers must contribute an amount equal to 5 percent of their salary. The state must provide help, and other sources will contribute funds. The social insurance fund will be managed in accord with the financial procedures of the state using independent accounting. It will be protected by the state, and the value of the fund will be preserved and increased in accord with necessary state regulations.

[8 Aug p 3]

Resolving Labor Disputes, Role of Unions

[Text] In social life, for many reasons, whether wanted or not, labor disputes have arisen between employers and

workers. The state and the laws are responsible for providing guidance so that the two sides can resolve the disputes. When necessary, the state must intervene directly and resolve the labor disputes. The Labor Law stipulates procedures for resolving labor disputes and stipulates that workers and the agencies, organizations, and individuals that employ workers must adhere to the procedures for resolving labor disputes.

Labor disputes are disputes concerning rights and interests related to jobs, wages, incomes, and other labor conditions, concerning the implementation of the labor contracts and collective agreements, and concerning implementing things during the apprentice stage. The Labor Law has divided labor disputes into two types: individual disputes between a worker and his or her employer and collective disputes between the labor collective and the employer.

1. Principles on resolving labor disputes:

The law stipulates that labor disputes are to be negotiated and settled by the two sides involved at the place where the dispute arose. They must be willing to compromise based on respecting the rights and interests of each other and the common interests of society and on obeying the laws. The efforts to resolve a labor dispute must be carried on openly, objectively, promptly, and quickly in accord with the laws. Trade union and employer representatives must participate in the process of resolving the labor dispute.

2. Rights and obligations of all parties in resolving labor disputes:

Workers and employers have the right to participate directly or through their representatives in the process of resolving the labor dispute. They have the right to withdraw their petition or revise the contents of the dispute. They have the right to request that the people directly involved in resolving the labor dispute be replaced if those people fail to remain objective during the process of resolving the dispute.

Workers and employers are obligated to provide adequate data and evidence in accord with the needs of the agencies and organizations involved in resolving the dispute. Once an agreement has been reached, an arbitration report has been prepared, and a judgment and decision have been put into effect, all parties concerned are obligated to act accordingly.

3. The Labor Law stipulates that at enterprises with 10 or more workers, a labor arbitration council composed of an equal number of members from both sides (employers and workers) must be formed.

When an individual labor dispute arises, the council must resolve the matter within seven days from the time it receives the arbitration request. The council must allow both sides to examine the arbitration plan. If both sides agree, an arbitration report can be prepared. If the two sides do not agree with the plan, a draft arbitration

report is to be prepared and the file is to be sent to the district people's court for a resolution of the dispute based on the requirements of the disputants (both employers and workers have the rights to request that the district people's court handle the labor dispute). At places that do not have an arbitration council, an arbitrator from the district labor organization can arbitrate the matter and carry out things just like an arbitration council.

District people's courts have the authority to settle individual labor disputes that the arbitration council or arbitrator has been unable to resolve in accord with the wishes of either one or both sides in the dispute. However, in order to ensure that labor disputes are resolved quickly and promptly, the Labor Law stipulates two cases in which the disputants can request that the district people's court resolve the matter without first going through arbitration at the installation: disputes concerning the dismissal of a worker for disciplinary reasons or the unilateral breaking of a labor contract and disputes concerning paying damages to employers. Once a people's court assumes jurisdiction in disputes over such issues, workers are exempt from all legal expenses: demands for wages, social insurance, and compensation for a labor accident or occupational illness, demands for damages, and cases involving dismissal or the illegal breaking of a contract.

A new issue concerning labor disputes that is noted in the Labor Law is the statute of limitations for initiating a labor dispute. According to the Labor Law, the statute of limitations is 12 months if the labor dispute concerns dismissal for disciplinary reasons, the unilateral breaking of a labor contract, or paying damages to employers. The statute of limitations is 6 months for all other labor disputes.

4. Procedures for resolving collective labor disputes:

When a collective labor dispute arises, the primary-level arbitration council or district-level arbitrator must institute arbitration proceedings. If the matter cannot be resolved, it must be turned over to the provincial-level labor arbitration council. Provincial-level arbitration councils are composed of representatives from provincial labor organizations, trade union representatives, employer representatives, and a number of prestigious lawyers, managers, and social activists. A provincial-level arbitration council will have a maximum of nine members, with the representative from the provincial labor organization serving as the council president.

The task of the provincial-level arbitration council is to arbitrate and resolve those labor disputes that the arbitration council or arbitrator could not resolve. If the two sides agree with the arbitration plan of the council, an arbitration report must be prepared and concluded. If the two sides do not agree, the council will decide on measures to resolve the labor dispute and notify the two sides of its decision.

Once the council has made a decision and the disputants do not voice an opinion, the council's decision will go into effect and both sides must act in accord with the decision. In cases in which the collective workers disagree with the decision of the provincial-level arbitration council, they have the right to ask the people's court to decide the matter or go on strike. In cases in which employers disagree with the council's decision, they have the right to ask the people's court to handle the matter. However, the fact that employers have asked the people's court to handle the matter does not interfere with the collective workers' right to strike.

5. Strikes

Strikes are a new problem dealt with in the labor laws. The Labor Law states that going on strike is a right of the labor collective and a form of struggle to resolve collective labor disputes. Going on strike is an important issue for the labor collective, but this is also related to economic, political, and social issues. Because of this, the Labor Law stipulates very rigid laws to ensure that the collective workers use their right to strike properly and to prevent people from using strikes for other reasons.

The primary-level trade union executive committee can call a strike when more than half of the collective workers cast secret ballots or sign statements in favor of going on strike. The trade union executive committee must send a delegation (not more than three people) to inform the employer of the demands. At the same time, it must notify the provincial-level labor organization and labor federation of the impending strike. The demands and strike notice must clearly state the issues, the contents of the demands, the result of the secret ballot or signed statements calling for a strike, and the strike deadline.

The Labor Law prohibits acts of violence, destruction of enterprise equipment and other assets (destroy, doing damage to, etc.), and acts harmful to public order and safety (disturbances, fighting, etc.) during strikes. The Labor Law also prohibits attacking or retaliating against strikers (strike leaders and those participating in the strike). Strikes are prohibited in a number of public service enterprises and enterprises essential to the

national economy and national security and defense, because if there are strikes in those enterprises, that would have a bad effect on the common interests of society. (The Labor Law has entrusted the government with the task of stipulating which enterprises fall into this category.)

In order to prevent the misuse of strikes, the Labor Law stipulates that the following are illegal strikes:

- Strikes that do not arise from a labor dispute.
- Strikes that are outside the sphere of labor relations.
- Strikes that are outside the sphere of enterprises.
- Strikes called when the provincial-level arbitration council or arbitration council is trying to resolve the collective labor dispute and the matter has not yet been resolved.
- Strikes called without the approval of more than half of the workers or without a trade union decision.
- Strikes at enterprises where workers are prohibited from striking.

The Labor Law stipulates that the people's courts have the authority to make a final decision on strikes and to decide whether a strike is legal. The Labor Law also gives the premier the authority to order a postponement or stop a strike if he feels that the strike would pose a serious danger to the national economy or public safety. At the same time, administrative and criminal measures have been stipulated for dealing with actions that interfere with people's right to strike, forcing others to strike, and engaging in illegal activities while on strike and for dealing with people who refuse to abide by the decision of the premier on postponing or canceling a strike or the decision of a people's court. If these actions cause damage, those responsible must pay damages.

In summary, in these articles on the Labor Law, we have mentioned a number of basic labor procedures and policies. The Labor Law will take effect on 1 January 1995. Agencies, organizations, and individuals who employ workers and workers must understand and grasp the Labor Law and the documents guiding the implementation of this law in order to adhere firmly to the labor laws and build correct labor relations in accord with the requirements of the laws and social ethics.

Australia**Minister 'Disappointed' at PRC Nuclear Test***LD0710082894 Melbourne Radio Australia in English
0800 GMT 7 Oct 94*

[FBIS Transcribed Text] China is reported to have detonated a large nuclear device at its Lop Nor site in the far west of the country. Officials confirmed there had been an artificial explosion which caused seismic activity in the area, although they declined to say if it was a nuclear test.

The blast was said to have been equivalent in strength to an earthquake measuring more than six on the Richter scale. This would make it about as strong as a nuclear device exploded by China a year ago.

Australia's acting foreign affairs minister, Gordon Bilney, says he is deeply disappointed that China has apparently again ignored international opposition to nuclear testing. Mr. Bilney says Australia still hopes China will sign the Nuclear Test Ban Treaty next year:

[Begin Bilney recording] The fact is that there is an international moratorium on nuclear testing, which most countries have signed up to, but it's also the fact that China has twice broken that moratorium—in October of 1993 and June of this year. Australia, along with other countries, has been urging China to join that moratorium, which the other main nuclear weapons states have agreed to, and it's extremely disappointing that once again China is out of step. [end recording]

Papua New Guinea**Government-Rebel Peace Conference Planned****Rebel Chief Not To Attend Talks***BK0710032894 Melbourne Radio Australia in English
0100 GMT 7 Oct 94*

[FBIS Transcribed Text] The leader of the Bougainville Revolutionary Army [BRA], Sam Kauona, says his organization definitely will not take part in next week's peace conference with the Papua New Guinea [PNG] Government.

Mr. Kauona's comments come on the day of the 400-strong peacekeeping force, which flies from Australia to Honiara in Solomon Islands prior to its deployment on Bougainville this weekend. Mr. Kauona said he does not trust the PNG Government which he says is planning to double-cross the people of Bougainville.

[Begin Kauona recording] We have discovered that PNG has a hidden plan. This plan is a snap operation in which PNG Defense Force will, in the course of their Bougainville conference the leaders will be there and it will be in during this meeting that PNG Defense Force will jump

into and round up all the Bougainvillian leaders, interim government leaders, plus BRA the leaders. [end recording]

Rebel Chief on Peace Terms*BK0710064794 Melbourne Radio Australia in English
0500 GMT 7 Oct 94*

[FBIS Transcribed Text] The military commander of the Bougainville Revolutionary Army [BRA], Sam Kauona, says the BRA will boycott the peace talks with the Papua New Guinea [PNG] Government scheduled to begin in Arawa next Monday.

Mr. Kauona says he has discovered that the PNG Defense Force will attempt to kidnap the leadership of the secessionist movement if it turns up for the conference. He also claims the BRA has not been fully consulted in the lead-up to Monday's conference. He questions the neutrality of the South Pacific Peacekeeping Force because of Australia's involvement in it.

Mr. Kauona says the PNG Government is dictating the terms of the peace conference rather than consulting the BRA.

[Begin recording] [Kauona] They are manipulating all these. The PNG prime minister has been trying his best to keep us out. I should be because I am the party to the peace and cease-fire agreement. I should be involved and I should be the signatory to the status of force [agreement].

[Unidentified journalist] So, at this stage, Mr. Kauona, you will not take part in that peace conference?

[Kauona] That is correct. I will not take part. [end recording]

Solomon Islands**Spokesman Confirms Resignation of 2 Ministers***BK0410090394 Hong Kong AFP in English 0403 GMT
4 Oct 94*

[FBIS Transcribed Text] HONIARA, Oct 4 (AFP)—The already weakened Solomon Islands coalition government lost more cabinet ministers Tuesday and now appears on the verge of collapse.

A Government House spokesman confirmed that Agriculture Minister Edmund Andresen and Sports, Youth and Women's Development Minister Alfred Maetia had resigned from the 18-month-old National Coalition Partnership Government of Prime Minister Francis Billy Hilly.

Last week provincial government minister Oliver Zapo and education minister John Musuota resigned. With the latest resignations, Hilly now appears to have the support of only 19 members of the 47-seat assembly.

The opposition Group for National Unity and Reconciliation claims it has 24 seats and could now have up to 28. Parliament is not currently sitting and Hilly has not yet said what he will do.

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